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FEBRUARY, 1949

35c a copy

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FORUM

February, 1949

VOL. CXI NO. 2

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35 cents a copy

4 dollars a year

Canada 4 dollars fifty cents a year

Foreign 5 dollars a year

Published monthly by the Events Publishing Company, Inc., 108-110 Walnut Street, Philadelphia 6, Pennsylvania. Editorial Office, 108-110 Walnut Street, Philadelphia 6, Pennsylvania. Entered as second class matter at the Post Office in Philadelphia, Pennsylvania, March 27, 1935, under the act of March 3, 1879. Additional entry at Lebanon, Pennsylvania. Individual copies may be secured by writing the publication office. No responsibility is assumed for unsolicited manuscripts.

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INDEXED IN
The Readers' Guide to Periodical Literature

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FORUM
Vol. CXI No. 2

Hope for the Consumer in 1949?

By COLSTON E. WARNE

Professor of Economics
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A look at the budget

I

CONSUMER disillusionment has highlighted our economy for the past two years. Price control was abandoned in October, 1946, accompanied by the promises of the National Association of Manufacturers that any upward price movement would be temporary in character, checked by the super-abundance of goods induced by higher profits. Instead, consumer prices advanced 30 per cent within two years, unaccompanied by the promised super-abundance. During the period of the Eightieth Congress, consumers were defeated in every major battle. Rent control was weakened, the Wyatt housing program was scuttled, and scarce building materials went for the construction of expensive homes at a time when low-cost public housing was more imperatively needed than in any preceding period in our history. Even such a mild consumer attempt as that of removing the punitive federal tax on colored oleomargarine failed. The general disposition was to reduce taxes on high incomes, to relax credit controls (later reversed), and to curb growing labor resentment by the enactment of the Taft-Hartley law.

The election results of last November have led consumers to expect renewed attention to their problems. President Truman campaigned actively on the issues of lowering the cost of living, of low-cost federal housing, and of imposing restraints upon banking and business which would stop the inflationary spiral. It was easy, however, for an aspiring candidate to make these promises. It is quite another matter to frame legislation which will result in their fulfillment. Much has happened since 1946. Prices have risen spectacularly, but unevenly. Labor, finding the price rise unchecked, secured a third round of wage increases in early 1948 and may launch a drive for a fourth round. Not even the most ardent consumer would believe today that an over-all system of price controls could succeed in substantially cutting back living costs without great difficulty. Ration books have been thrown away, the O. P. A. machinery has been disbanded and, worst of all, the sentiment of the nation makes difficult, if not impossible, the reimposition of extensive controls. Moreover, many authorities are quite as concerned with the problems of deflation as with the problems of inflation.

On January 7, President Truman reported to the Congress that the "bountiful prosperity" of the nation might be lost if the future were left to chance. Assisted by the Council of Economic Advisers, he presented his third

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annual economic report. The President's program reflects the confused economic situation of the nation. It contrasts the marked inflationary influences which have persisted in our heavy industries with the sharp break which has occurred in grain prices, accompanying the bumper crop of 1948. Whereas in 1920-22 a drastic decline in the grain market brought sharp adjustments in other areas of the economy, the current situation, has, he contends, demonstrated strength adequate to withstand even so intense a shock. The reason for the contrast, the President asserts, is the presence of the guaranteed farm price support program, the more adequate control of banking and finance, the stability afforded by the Social Security system, and the wise employment of a budget surplus. Having thus congratulated the nation, he adds:

"Our escape . . . . does not mean that no further dangers will appear or that we can wait until they descend upon us in full force before taking wise preventive measures. We have been granted a breathing spell. . . ."

After outlining these deflationary dangers, attention is drawn to the "few sectors of our economy where dangerous inflationary forces continue to be predominant." Specific mention is made of steel and electric power shortages and accompanying advances in public utility rates. The appearance of a halt in the upward movement of prices in many sectors of the economy is heralded as a good omen, but the President points to the need for a wide range of governmental actions "which can be applied as a brake or accelerator according to the need." The post-war prosperity, it is acknowledged, has been in substantial measure occasioned by pent-up demand resulting from war-created buying power. In the period ahead, "we must. . . . rely more fully on currently generated purchasing power to absorb a full supply of goods and services."

The statistical highlights of 1948 may be summarized as follows:

Employment—averaged 59 million, including one million new workers.

Unemployment—a low level of two million workers.

Total Production—three to four per cent increase over 1947.

Agricultural output—nine per cent increase over 1947.

Industrial output—three per cent increase over 1947.

Consumer income—approximately kept pace in buying power with price rise.

Corporate profits (after taxes)—$21 billion —$3 billion above 1947.

Consumer credit outstanding—$15 billion, an increase in the year of $2 billion.

Business inventories—increase of $7 billion ($4 billion occasioned by price increases; restocking virtually complete except for metals and some building materials.)

Housing—one million new residential units, but tendency to taper off due to high prices.

Export surplus—$6 billion, a decline of $5 billion due to foreign lack of dollar balances.

Federal receipts from taxes—exceeded cash payments at annual rate of $12.5 billion during first half of 1948; annual rate of $4 billion during second half.

In view of the complexities of the current situation, the President places as the prime targets for 1949: finding a million additional jobs; increasing total output again by three to four per cent; adopting policies which will curb inflation and yet which will still so develop resources as to prevent long run depression; pursuing "affirmative programs for health and housing, for education and for resource development;" and finally, establishing standards for "a better balance between production and consumption, income and investment, and prices, profits, and wages". Emphasis was placed on the development of selective controls which would afford greater equity in distribution of income and would permit the nation to develop its national defense and international program, while at the same time affording a wide area of domestic reform

In substance, the President is urging that today the nation may have both "guns and butter." Faced with the insistent needs of Europe, and the demand of our military leaders for large armaments, he contends that the productive capacity of the nation can carry this heavy load and yet, under proper guidance, can avoid the pitfalls of more

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drastic inflation. The specific recommendations to implement this program can be listed under three main topics.

Policies to combat inflation and to promote production in certain industries. Under this heading, the President recommends an increase in taxes of $4 billion, to be derived primarily from corporate profits and taxes on estates and gifts, and possibly from higher income taxes in the upper and middle brackets. An increase in Social Security contributions is also suggested. Accompanying this higher tax level, restraints are urged upon excessive credit expansion through the banks and the Federal Reserve System. Areas in which critical shortages exist, such as steel, should be carefully studied and, if production is not adequate for a full employment economy, authority should be granted to establish government plants. Key materials should be placed under mandatory allocation controls. Selective price and wage controls should be established to give the federal government power to stop price spiralling. The presence of such authority will, it is argued, temper price advances, even if not actually employed. Authority is asked to limit wage adjustments which would force prices upward. A two-year continuation of rent control is recommended, accompanied by strengthened enforcement. The report favors the imposition of export controls and the curbing of speculation on the commodity exchanges.

Policies to protect the victims of inflation. Here an increase to 75 cents an hour in minimum wages is recommended as well as a substantial advance in old age benefits and public assistance programs.

Policies to promote balanced economic growth. At this point, the President enters the most controversial area. He specifically endorses the St. Lawrence waterway project and asks for an increase of public power programs. Long range price support legislation for agriculture likewise receives approval. The Congress is urged to ratify the charter of the International Trade Organization and to extend reciprocal trade agreements for three years. Considerable stress is placed upon housing legislation. A comprehensive housing bill is proposed which, over seven years, would afford one million low-rent units and which would be accompanied by authority to channel materials into workers' housing. The crisis faced by education is to be met by extensive federal aid, including a system of fellowships and scholarships for higher education. National health insurance is deemed "the only workable way" to secure adequate medical care. The extension of our old-age and unemployment insurance system to include the millions of workers now outside its coverage is proposed.

"This is a period," the President concludes, "in which our ability to master our affairs in our own way will be rigorously tested. Abundant resources and rapidly advancing technology are both a blessing and a responsibility."

In contrast with last year, the presidential program received applause from the majority leaders of Congress and its principal provisions are much more likely to be adopted by the Eighty-first Congress. The approach taken is more vigorous than in preceding economic reports, thus reflecting the election results. Only the unreconstructed Tories will quarrel vigorously with its principal objectives. Yet with all its merits, it seems an inadequate guarantee of national stability in 1949. The forces which are so competently described by the President and his advisers are not likely to be balanced by the complex techniques which he suggests.

Let us consider a number of difficulties in the current situation.

1. Our current military budget is about $14 billion and is apt to increase during the current year. European grants will promise a substantial additional drain from our national resources. These items place an exceedingly severe strain upon the metal industries and upon selected raw materials. So long as they are continued, inflationary forces in those fields will be powerful and can be countered only by the imposition of rigid price and allocation controls. If these controls are placed, say, upon steel products, and profits are drastically curtailed in this field, a wide gulf will appear in the earning power of the controlled and uncontrolled segments of our economy. The very fields in which expansion is imperatively needed

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will not be making profits characteristic of other industries. More than a club in the closet will be needed to police the operation. If O. P. A. experience is meaningful, the difficulties of a limited and selective price control system are immeasurably greater than those of an over-all freeze. Steel, for example, has many uses ranging from tobacco tins to howitzers. The effort to channel it into certain fields will bring stout resistance from those whose profits are imperiled by curtailment orders. If the President seriously wishes the reinstitution of strong economic controls, he must be prepared to establish a new Office of Economic Stabilization which is well staffed and has the power to carry out its objectives.

2. The economic report hints at the soft spots in our economy and suggests that the re-emergence of a buyers' market is, on the whole, to be welcomed. This is good news, indeed, to consumers, who have already observed that food prices have in recent months tapered off slightly, that a crack is appearing in clothing prices, and that radios and some types of electrical equipment have become more reasonably priced. What does not emerge in the report is the severe readjustment that many of these fields face even at a time when the general movement of industrial prices is upward. Coal might be taken as a case in point. During the 1920's, coal mining encountered extreme depression. John L. Lewis was then able to continue, on paper at least, a high rate of wages until 1926. He could not, however, combat the strong forces which brought extensive unemployment of labor and the virtual bankruptcy of the industry. Our coal capacity ran far beyond the demands of the market which had found ways of economizing coal usage. There are already many signs that the coal industry is faced with the same problem today. In 1948, we shipped substantial quantities abroad on a highly uneconomic basis. This year such exports will decline markedly and with improved mining techniques and the probability of lowered domestic demand, coal is liable once again to become a problem industry, faced with high labor costs, overcapacity, and the competition of other fuels.

Agriculture, likewise, is a problem child. One can easily give vague counsel concerning the need to improve dietary standards of urban families in order to enhance the agricultural market. The issue in most farm products is excessive marketing cost. Citrus growers, for example, may be allowing oranges to rot on the ground at the same time that New York prices remain at levels where consumption is highly curtailed. The government may grant price support for farmers and, for a time, store the unsold surplus. It cannot, however, by this means, permanently escape the same dilemma which faced the Hoover Farm Board. At this moment, Europe offers a convenient outlet for gratuities of food. The farm situation is, nevertheless, one which presents far more difficult long run problems than the President's committee is willing to acknowledge.

3. In a number of other areas such as clothing, we confront a situation occasioned by the shift of consumer demand to other fields. The buyer, pinched by higher living costs and by his irrational desire for a cherished automobile, is prone to slacken his clothing demand. The textile industry for a quarter of a century has, except for the war-stimulated period, been faced by over-capacity, and now appears to be entering a renewed period of distress. Its prices and costs have advanced more than any other major field except food. If, as seems likely, it has priced itself out of the market, the months ahead will bring great distress among garment and textile workers, accompanied by the dumping of textile inventories. It will be recalled that in the summer of 1920 a sharp break in textiles accompanied the recession of that year. Such a break seems today in the making.

The electrical equipment field also deserves special mention. That area had immense war-stimulated capacity. It found demand likewise highly satisfactory for a period. Today large segments of the market appear well saturated. Whether the advance of television will be sufficiently rapid to prevent a collapse in the radio equipment business appears most doubtful. Backlogs still persist in some spheres, but in the main, a downward trend seems probable.

Even the automotive field, which has one

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of the strongest positions in the economy, has shown signs of satisfying its unprecedented demand. Long delays are necessary only for a limited number of the more popular models. The intensity of demand for cars make the situation in other fields even more difficult. Consumers mortgage their income heavily to buy an automobile and to maintain it on the road, and are not in a position to sustain other purchases. Since 1945, outstanding installment credit has increased by nearly $6 billion, largely due to automotive financing.

4. Another perplexing problem applicable to a wide number of fields is that of price maintenance. The United States has been cursed by a series of laws, capped by the Miller-Tydings Act, which allow manufacturers to fix the retail prices of their goods. During an inflationary period these price maintenance acts do little damage to the economy—indeed, they sometimes exercise a restraining influence on inflation. During periods of falling prices, they retard the action of free competition in lowering prices. The major producers in each industry seek to blunt the force of falling demand by restraining retailers from clearing stocks at bargain figures. Thus a bad inventory situation may quickly deteriorate into crisis, and factory layoffs may be far more severe than would be essential if free prices were the rule. Price maintenance may, in the months ahead, make for difficult price adjustments.

5. Those now urging a fourth round of wage increases may have a good case. The buying power of workers has not kept step with rising price levels in the past year. Consumer purchasing power must be maintained if full production is to be sustained. This could be accomplished if the rising wages were to absorb some of the unprecedented profits. It must, nevertheless, be realized that past wage increases have generally been used as an excuse for increasing prices. In earlier years, this was easily possible because of the pent-up demand. In 1949, the situation is vastly different from that of preceding years and it may well be that a deteriorating economic situation may be made worse as a result of the inevitable fourth round of wage advances. Certainly in the absence of strong governmental controls, this will be the case.

These are only a few sectors in the economy which present problems, but they are sufficiently important to suggest that the President is faced with a highly difficult task if stability is to be maintained in our economy. During the 1930's, the New Deal was able to afford greater economic justice but was not able to restore prosperity to the nation. It could then do no more than supplement the operation of the private profits system which produced only when the markets seemed favorable. Today the prevalent high level of consumption is largely artificial. European recovery and the war scare are responsible for fully a ten per cent segment in demand. The spectacular increase in installment credit, another temporary phenomenon, is a powerful force. Pent-up savings have, in the past, been important in sustaining demand. These stimuli are not apt to persist for many years. With their decline, the nation faces the prospect of a severe economic crisis if domestic consumption cannot be greatly increased by other techniques. The existing balance of today can easily prove to be most precarious.

II

Support for enlarging current consumption is given by Leon Keyserling, of the Council of Economic Advisers, who states that "to achieve a workable balance between production and consumption in a more normal peacetime economy, consumer expenditures will need to assume a relatively larger role." He points out that compensation of employees has dropped from 65.9 per cent of the national income in 1939 to 61.6 per cent at the close of 1948 while corporate profits and inventory adjustments mounted from 8 per cent to 14.7 per cent. He concludes that federal efforts must be supplementary to private policies in the field of production, prices, and wages.

In order that such private policies be in an appropriate national perspective and be based upon adequate data, he proposes a "national prosperity budget" which will estimate for a number of years in advance the maximum attainable national output, and which will include an "objective analysis of the relationships among profits, wages, and other

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incomes which would provide both the capital funds and the incentive for this expansion, and the purchasing power to absorb it." Such a budget, it is claimed, will provide "a surer foundation for the mutual adjustment of industry, agriculture, and labor through voluntary action."

Mr. Keyserling's idea goes far beyond the scattered proposals of President Truman in that, almost for the first time in our history, it gives official recognition to the need for specific targets of consumption growth. Undoubtedly, the weakest aspect of the approach lies in its reliance upon voluntary action by producer groups which are unaccustomed to forego private advantage in order to foster long run national stability.

Logic indeed seems to call for the emergence of a national plan for consumers which would assemble and inter-relate the targets for national growth. Such a national plan would be in the nature of a ten year budget of national income and capital expansion. It would spell out the rate by which consumer living standards might rise. It would bring together a pattern of social reform and integrate it with the plan. We would have extended social security, federal housing, tax reform, banking controls, farm support prices, food stamp plans, minimum wages, and minimum wage scales placed in relationship to one another and to the national income as a whole. Such a national plan would afford an answer to the question of the rate at which we might develop power projects, extend education, build highways, or pay family allowances. It would be a single package, the ingredients of which might be shifted by the legislators. Once framed and dramatized in the public mind as a national plan for consumers, it would be more difficult for reactionary pressure groups to block crucial portions of the plan and continue to reap the rich rewards of an uncontrolled economy.

Upon the shoulders of the Council of Economic Advisers should fall the responsibility of preparing the preliminary draft of such a ten year plan of national development. The Council has the basic statistics and is in a position to fit the parts into an integrated whole. Undoubtedly — political pressures being what they are today—the preliminary draft will be defective from a consumer point of view. It will, however, place the problem of America's national development before the Congress in the correct perspective—that of recognizing that we cannot curb inflation or deflation, and have a healthy development of social reform without the full employment of techniques of economic planning. Banking and credit policies, tax policies, and price policies must be brought together. Congressional hearings will afford an opportunity to express differences with the Council's views. With a national planning agency constantly checking and revising the goals and another government body such as the former Office of Economic Stabilization checking to see that the plans were being coordinated and executed, we might have an abatement of the current drifting policies.

If the targets of national development were well designed, we would be in a position to assess how well we were making out in a given year instead of being constantly in the position of patching up minor points in the economy.

One item will be immediately troublesome, the military budget. If the nation wishes to budget guns, it will be clear that it cannot budget as many new houses or motor cars.

Another phase of any national planning must be that of meeting the problem of monopoly which has been aggravated by the merger movement and the impact of national advertising. As has been seen from the experience of the last quarter century, no effective attack upon the problem can be made by the existing anti-trust laws. The loopholes are too great, the techniques of monopoly too varied. A new start must be made under the national plan for consumers which would include the repeal of the Miller-Tydings act and other laws under which manufacturers maintain retail prices at non-competitive levels.

Under such a national plan, we might gain exemption from the insecurity of our economic system in 1949. Without it, the outlook for the future does not promise to afford the optimistic balance which the President's report suggests.

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THE FEDERAL PRACTICE RACKET

By G. C. HANNA

Former Chairman of the Committee On Practice, United States Treasury Department

Why Men Leave Federal Jobs

THE insistent demand for increasing, even doubling, the salaries of federal officers and employees in the higher salary brackets has now been given the support of the Hoover Committee for the reorganization of the federal government. It is the theory of this demand that very substantial salary increases will prevent those holding the higher positions from turning to the greater rewards offered by private employers and thus tend to establish a permanent career service. The theory, however, disregards the principal factor involved in the transfer from federal to private employment: federal employees can resign their positions today, and tomorrow represent claimants having demands to prosecute or cases to adjudicate in the very departments or agencies that they have just left. The evil of this type of practice has long been recognized but so far it has been impossible to pass corrective legislation over the veto of the hatchet brigade, strategically placed in the federal departments and agencies, who are the beneficiaries of the present vicious system.

If ex-employees had nothing to sell but their services based on the usual standards of appraisal, there could be no objection to their engaging in practice before their former departments, immediately upon resignation. But in far too many instances their services command returns out of all proportion to their previously demonstrated abilities as professional men. What, then, is it that they have to sell? Obviously, it is influence or a knowledge acquired of the inner workings of the government agencies that can be turned to account on the other side. A former Treasury official once said of a Bureau of Internal Revenue employee before whom he had occasion to appear on behalf of clients: "I know exactly how J- - - approaches every angle of a tax case and prepare my cases accordingly."

When the government's hand can be known in advance, it may be assumed that such knowledge has a commercial value. The sale of influence may run into big figures. Does anyone think that the services of a young attorney, who might open an office in Washington without previous contacts, would be in such demand that he could name $10,000 as his minimum retaining fee? But some young attorneys, after serving as braintrusters or in some other federal capacity, have been able to obtain such fees to be followed by fees said to run to fabulous sums for awards or favors obtained from some agency of government. Contracts, franchises, licenses, refunds, claims, loans from federal lending agencies, favorable changes in regulations, and countless other types of awards, demands, or favors may constitute the issues for which representation is required. During the war period, when various controls were in effect, commercial concerns would have found it highly advantageous to have representatives with sufficient influence, through intimate acquaintance and former official contacts with the "right" people in the government, to secure for them allocations of sugar, steel, or other commodities in short supply.

Every few days press dispatches tell of some federal employee in the higher salary brackets who has left the service in order to devote his talents to private practice, since continuation in the federal service would constitute a financial sacrifice that he could ill afford to continue on account of his family's requirements. Nothing is said about how the family got along before he accepted federal employment on an income presumably less than that

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offered by the government or just how the wants and needs of the individual and his dependents came to be so expanded. It should be noticed that transfers are almost invariably made to employers who would stand to benefit enormously by the right kind of a contract with the department or agency from which employees are taken.

On the occasion of the resignation of a chairman of the Federal Communications Commission to accept employment with a broadcasting company, the Washington newspapers, as usual, carried editorials deprecating the fact that the government is obliged to lose its best men because of the niggardly salaries paid them. This is routine procedure with the Washington press which is never on the side of reducing the number on the local federal payroll and always boosts for higher salaries. One Washington daily commented as follows on the resignation:

> The financial sacrifices which men of such caliber are making are much greater today than they were when President Truman in 1945 urged Congress to do something about the 'pitiful wage scale' for higher officials.

Another, while deploring the fact that salaries are not raised, really touched on the fundamental evil of the situation without elaboration, thus:

> We think it regrettable that he is to join one of the corporations which until now it has been his business to regulate.

If a member of The Tax Court of the United States goes out, look for him to appear before that body as the representative of clients on his own account or as a member of a law or accounting firm having many cases before that court or in the employ of some corporation whose tax matters on a big scale are due for adjudication in that court. If a Treasury or Bureau of Internal Revenue official leaves a $10,000 a year salary to save his family through private practice, the public has a right to know why it it that his services have become so valuable to interests outside of the government. It will be found that law and accounting firms and also litigants with tax cases to come before the departments for decision have considered it advantageous to employ those on the "inside," one with the "know how", as a very prominent ex-federal official said not so long ago. Likewise, the services of sons, daughters, brothers, sisters, and so on through the catalogue of relatives of government officials with whom the representatives of litigants deal, command fancy figures with little regard to the ability or qualifications of those whose superior talents went long undiscovered until appraised by other considerations.

It is strange indeed how valuable the services of federal employees may become to certain interests within a year or two, or a few years at most, after induction into the federal service! And a mere citizen may wonder why the interests so anxious to obtain the services of the employees favorably situated in the federal service did not discover the value of these services when they were being made available to the government only shortly before with the exertion of all the pressure, political and other, that could be brought to bear in securing the jobs.

Thus practice before the various agencies and departments of the government by their former employees has, in fact, become a racket of the first magnitude. Recognizing the potential evil of such practice, the Congress of the United States, as long ago as 1872, enacted a law prohibiting a former employee of any department of the government from acting as attorney or agent for the prosecution of any claim against the United States which was pending in any of said departments (sic) while he was such employee, nor in any manner nor by any means, to aid in the prosecution of any such claim within two years next after he shall have ceased to be such employee. (Sec. 190 Revised Statutes of the United States; title 5, Sec. 99 United States Code.) This statute was directly aimed at the sale and exercise of influence before the federal departments by former employees but, because of its imperfections, has remained a dead letter during the three quarters of a century of its existence. The imperfections are three. No penalty is provided for violation. The statute applies to the prosecution of claims only. These are limited to claims pending during the employment of the former employees affected by the statute.

Obviously, a statute outlawing certain acts would have little deterrent effect if there is

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no penalty for its violation. While the prosecution of monetary claims against the United States constituted a flourishing and often reprehensible practice, and about the only type of practice, at the time of the passage of Sec. 190, Revised Statutes; the law, if effective, would not now reach half the cases involving money to which the United States is a party. Now defense against claims or tax assessments made by the government and numerous other types of practices are carried on before the different departments and agencies of the government. The further limitation of claims to "pending claims" without defining "pending" leaves the door open to wide interpretations and abuses. There would be nothing in the statute to prevent a former employee from filing a claim the day following the termination of his employment and prosecuting the same before his former colleagues.

S. 1987

In 1941 Senator Hatch, of New Mexico, impressed by the evil of permitting former employees of the government to engage in practice before the federal departments and agencies immediately upon leaving the service, introduced a bill in the United States Senate (S. 1987) making it "unlawful for any person who has been an officer or employee of any agency of the United States to receive or agree to receive, directly or indirectly, any compensation for services rendered in connection with prosecuting, negotiating, or otherwise handling before or with any court or agency of the United States, within two years after the termination of his services as such officer or employee, any claim, contract, or other matter in which the United States is an interested party." A penalty of a fine up to $10,000 and imprisonment up to two years for violation was provided in this bill. The bill was referred to the Committee of the Judiciary and there it remained, although the public had been and was being outraged by flagrant examples of the peddling of influence by former highly connected "servants" of the government and the press of the country was practically unanimous in the endorsement of the aims and purposes of this bill. Why did this measure fail?

Bills pending before Committees of the Senate and House are generally referred to the secretaries of the departments and to the various agency heads for opinions on the proposed legislation. Nearly all, if not all, the departments and agencies are actually run, not by the putative heads, as one might suppose, but by their legal staffs. Consequently, bills so referred pass immediately into the hands of these staffs, and the opinions written by them are signed by the Secretaries and agency heads as their own. It happens that the personnel composing the legal staffs is made up very largely of persons who expect, after as short a training period as possible, to engage in private business before the departments employing them. They have heard constantly of the big killings in private practice—a quarter of a million a year—made by their predecessors in office by capitalizing on their former connections, so why can't they?

The Treasury Department, as the tax collecting agent of the government, naturally offers the greatest opportunity for practice of this type. More than 70,000 persons, about two-thirds attorneys and one-third accountants, have been admitted to practice before this department alone, more than practice before all the other departments and agencies put together. A constant stream of employees of the Department, including the Bureau of Internal Revenue, leave the service only to appear the next day as the representatives of interests adverse to those of their former employer. On several occasions, the regulations governing practice before the Department have been relaxed by the legal staff in the interest of some employee wishing to resign and be admitted to practice before the Department or some former employee not meeting the standards of admission theretofore applicable to the general public.

Senate Bill 1987 was referred to the Secretary of the Treasury, among others, and was handed as a routine matter to the legal division for an opinion. This bill would have prevented, as it was meant to prevent, every member of the legal staff from resigning to begin practice before the Department the day following resignation. The legal staff did a neat job on the bill and prepared a substitute merely prohibiting a former federal employee from practicing before a department or agency of the government in matters he had handled while employed by the government—a wholly

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innocuous measure, since lawyers are forbidden by the ethics of their profession from changing sides in litigation and would be subject to disbarment if this ethical principle were to be violated. The Hatch bill died in Committee, and former employees are still free to return immediately upon leaving the service in the capacity of representatives of litigants before their erstwhile colleagues, many of whom have been placed under obligations by loans and other considerations incident to close association.

The way to prevent the constant loss of federal employees to private concerns with matters pending before the departments and agencies of the government is not by doubling their salaries as proposed by President Truman and numerous others, and supported by the Washington press, but by striking directly at the far greater evil involved, that of authorizing former employees to practice before their departments and agencies upon leaving the service, through prohibition of such practice for a period of at least two years as provided in S. 1987. This bill was thoroughly wholesome in its aims and purposes and should have become a law, instead of being bludgeoned to death by the very ones affected by it but bearing the signatures of secretaries and agency heads who had no idea what they were signing. Thus the real source of opposition to the measure was entirely concealed.

The bill should be reintroduced and passed at the current session of Congress as a measure strongly in the public interest. Assuredly the number of men leaving the public service to engage in practice against the government at inflated salaries or retainers would decline to the vanishing point and the cry for doubling salaries would fade to a mere whisper.

The whole matter could be handled, without legislation, by executive orders from the White House or by orders issued by heads of departments and agencies. But, since the President thinks the way to handle the situation is to double salaries, and the legal staffs exert a controlling influence over all such orders and proposed orders considered in departments and agencies, the chances to reach the situation by that method are indeed slim. There is, however, one notable exception. Shortly after taking office as Secretary of the Interior, Mr. Ickes issued an order prohibiting former employees of the Interior Department from appearing before the Department in a representative capacity for a period of two years after leaving the service. Had this proposed order been referred in the routine way to the legal staff for approval, it most probably would never have seen the light of day. But Mr. Ickes, who has sensed the evil of the use of influence by former employees, was evidently not one to ask the permission of those to be affected by what he considered to be in the public interest, however distasteful it might be to them. He did not ask them. He told them and that was that. But since no other department or agency head has dared to move similarly, and agencies such as The Tax Court of the United States and the numerous Commissions would hardly move to bar former colleagues of members from practicing before them, it appears that nothing short of S. 1987 or a similar measure will secure the public against a most flagrant and continuing evil.

When Ethan Allen, the Revolutionary hero, was courting the widow Buchanan, he used to take a short cut to her home through the cemetery.

This desecration outraged some religious neighbors who decided to teach him a lesson, so one night when he vaulted the fence into the cemetery he landed in a pit 6 feet deep. From above came a weird moaning, ending with "Ethan Allen, what art thou doing in my grave?"

Unperturbed, Allen looked up at the ghostly figure and asked, "Well, what in thunder art thou doing out of it?"

Journal of Education

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How we acquired the Philippines

IMPERIALISM IN 1898

By LOUIS BERNARD SCHMIDT

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WHAT shall be done with the Philippines?" This question arose on May 1, 1898, when Commodore George F. Dewey sank the Spanish Fleet in Manila Bay. It became the discussed issue of the day when the Armistice ending this war was signed on August 12. The Armistice stated that the final disposition of the Philippines was to be left to the Peace Conference in Paris and that the United States would occupy the city, bay, and harbor of Manila until the peace treaty should determine the fate of the Islands. It was "the most important question in foreign policy that this nation had been called upon to decide since its independence."

The opposition to the acquisition of the Philippine Islands was centered on the following lines of argument:

1. The addition to the American domain of distant regions would lead to hurtful innovations in our system of government;
2. The oppression of an unwilling people;
3. A large increase in the standing Army and Navy with financial burdens;
4. A threatening of foreign complications.

What, then, were the major influences that overcame the opposition and brought about the annexation of the Islands?

The moral responsibility of providing a stable government for the Filipinos received much attention during the debate. It was revealed that the Spanish rulers of the island had done little or nothing for the natives in the matters of education, local government, or general enlightenment. Editorials proclaimed that it was the duty of the United States to civilization to accept the responsibilities imposed by the fortunes of war—a war which had been fought to free oppressed peoples and give equal rights to all. The United States could not honorably abandon the Filipinos to the Spanish misrule and tyranny under which they had lived for 350 years. Dewey himself had declared that, "the natives appear unable to govern," and had warned that the danger of insurgency and anarchy prompted complete annexation.

Senator John T. Morgan declared in the June, 1898, issue of the *North American Review* that:

> It is up to the United States to solve the question of government for the Filipinos. The fortunes of war have devolved this duty upon us. The United States cannot accept the Philippines from Spain and then consent that they shall be restored to the Spanish Crown under any condition. We must see that the Philippines get good government. A country that cannot govern its colonies so as to secure their peace and promote their prosperity cannot be wronged if it is compelled to relinquish its authority over them.

An editorial in the August 27, 1898, issue of the *Outlook* declared that:

> Wherever the American flag has gone up —carrying American supremacy with it— it must not come down until the people who have lived under it, if it be only for one hour, have a government which assures them justice, liberty, and education.

"Let us keep all the Philippines until we we have taught them how to govern themselves," was the declaration of many editorial writers, and it was taken up by public-spirited citizens throughout the nation. It was urged that "The final disposition of the Philippines should be of a nature to advance the ideas of

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government for which the United States, founded on human liberty, stands."

President McKinley was influenced considerably by this line of argument when he instructed his peace commissioners to demand all the Philippines.

The churches of the nation were also a factor in the situation. The foreign mission boards of the various Protestant churches had missionaries in various parts of the Far East, but they had been kept out of the Philippines by the Catholic friars who controlled vast estates and did little, so it was reported, in the way of Christianizing the natives. When Dewey captured Manila, a Methodist missionary in Singapore, "saw the fulfillment of the hopes and prayers of years. God had spoken. The Philippines were open to the gospel. . . . The flag of his own land had been raised over Manila Bay. . . . It would stay." He immediately wrote and sent (to a United States church publication) an ordered account of this intervention, foretold permanent American occupation, and exhorted the churches of Protestantism to enter in the name of the Lord and give the people of the Philippines a pure gospel.

This missionary then returned to the United States, and with the help of others, exhorted the churches to send missionaries to the Philippines. As a result, several denominations planned missions in the islands and favored annexation in their publications and from their pulpits. One enthusiastic missionary observed: "Every American missionary in Asia from whom I have heard in recent months has thanked God that the American flag has entered the Far East."

Another factor in the acquisition of the Philippine Islands was the influence of the expansionists of the day. Led by Theodore Roosevelt, Senator Lodge, and Captain A. T. Mahan, this group declared that a stay-at-home policy was all right "for a weak and struggling nation but now the United States was a great power and could not stand aside while other powers were pursuing their imperialistic ambitions to the exclusion of the United States."

The *Literary Digest* of July 2, 1898, carried several statements under a heading: "Views of Prominent Men on the Policy of Imperialism." One declares that "The United States from now on is destined to be a world power. We can escape the menaces and perils of socialism and agrarianism, as England has escaped them by a policy of colonization and conquest. It is true that we exchange domestic danger for foreign danger, but we multiply the opportunities of the people. We risk wars, but a man has but one time to die, and either in peace or war, he is not likely to die until his time comes."

In the same issue of the *Literary Digest*, a judge of a United States district court declared that ". . . . breaking up Asia will throw these stagnant people into a modern atmosphere and will cleanse and advance them as only a clean, wholesome civilization can. Into this field the moral purposes and commercial courage of the Anglo-Saxon are bound to project themselves. They are of the inevitable movements of mankind which statesmen cannot hold back. Neither the trading instinct nor the conscience of mankind is the result of statecraft; they are irresistible forces."

The *Chicago Journal* observed that "unless the president shall take immediate steps to protect and hold the Philippines, generations to be will read the history of this time and curse the folly that threw away a world out of reverence for moldy traditions and dead men's opinion."

Most Republican newspapers advanced the expansionist idea by its declarations that: "we should hold what we win"; "the fetish of isolationism must be cast down"; "only the coward's heart or the fool's mind can block the advance of the American Republic upon the road of greatness which the Philippines have providentially opened to it"; "the people want America to grow"; "what is a great nation without colonies"; "our government can no longer pursue a policy of isolation." It was urged that "we take our rightful position among the nations of the world. Are we to refuse to seize this golden opportunity and allow some European power to outwit us? We are face to face with a new foreign policy for America. We must meet it and not shirk it."

The imperialist sentiment rapidly gained public support. One author has advanced a basic reason for this sentiment in these terms:

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"Expansion into the Philippines was a natural outburst of an exuberant nationalistic spirit not too far removed, either in space or time, from the actual experience of pioneering."

The interrelation of the moral factors and the expansionist influence is seen in an address by Senator Lodge during which he said, "We gave freedom to 8,000,000 persons, freed them from a tyranny that had weighed on them for 350 years. Are we going to thrust them back?" To this question the audience is reported to have shouted, "No! No!"

The imperialistic sentiment in the United States received considerable encouragement from Great Britain. One example will illustrate the subtle manner in which this was done. The Treaty of Paris had been signed, and the United States Senate was debating ratification during the early days of February, 1899. This was the occasion which Rudyard Kipling, England's great imperialist poet, chose to release his new poem, "The White Man's Burden." A few lines from it will suffice to show the thought.

> Take up the White Man's Burden—
> Send forth the best ye breed—
> Go, bind your sons to exile
> To serve your captives' need;
> To wait in heavy harness
> On fluttered folk and wild—
> Your new-caught sullen peoples,
> Half devil and half child.

This gave the expansionists in the United States a new term, and "the white man's burden" was adopted enthusiastically by them It may be said with considerable emphasis that the declarations of the imperialists carried much weight in the decision to annex the Philippines.

Big Business and the financial interests of the country were opposed to the Spanish-American War. Business had been in the doldrums since the panic of 1893. A revival of prosperity was evident in 1897, and businessmen thought a war or threat of war would check the trend. Peace was needed for business gains to continue, they believed, while war would endanger currency stability, interrupt trade, and threaten shipping. Business in general was not interested in colonies, believing in its ability to sell in the world market.

The threat of European cooperation against American trade in China and the aggressions that occurred in 1897 and 1898 began to change this opinion. The threatened partition of China caused growing alarm, and the belief now became prevalent that the Orient promised a huge market for America's increasing surplus production.

American exports to Asia had been increasing steadily. In 1870, they had amounted to only $5 million, but by 1890 their value was up to $20 million.

In 1898 United States exports to the Orient were valued at $44 million. Free access to this growing market was deemed necessary, and the various business and financial publications began asking for an isthmian canal, an "open door" policy, annexation of Hawaii, and an increase in the Navy. Chambers of commerce sent letters to President McKinley urging the safeguarding of American trade with China. The American Asiatic Association was formed to promote defense of trade in the Far East, including the Philippines.

Dewey's victory filled businessmen with enthusiasm, and stocks rose in price because the fears of a long and costly war were dissipated. The intrinsic value of the Philippines was not deemed as important as their position. They were the gateway to the markets of eastern Asia. Business now insisted the Philippines be retained.

"The return of the Philippines to Spain or the disposition of them to any other power would be folly in the face of our future necessities for a basis of naval and military force in the Western Pacific," said one business paper. The *Wall Street Journal* declared that the United States needed a coaling station and a naval base in the Philippines so as to protect the existing and future trade in Asia. Business looked upon the occupation of Manila as a providential act at a time when European nations were threatening American trade and warned that possession of this advantage could not be thrown away in view of the need for defending our interests in the Far East Manila was envisioned as some day rivaling Hong Kong as a trade center, for the countries adjacent to the Philippines contained 850 million people who purchased more than a billion dollars worth of goods each year.

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Sentiment for retention of the Philippines, for protection and stimulation of trade was nation-wide. The South saw increased markets for cotton goods. The Pacific Coast saw the westward expansion as a means of changing its position from that of the backdoor of the nation to the frontdoor, for the possession of the Philippines would hasten the growth of Pacific trade and travel.

The European threat to United States commercial interests in China and the prospective greater trade that was envisioned changed the mind of business about the war and brought about the demand for retention of the Philippines. But business also became imperialistic. Merchants and manufacturers saw colonies as a partial solution to their surplus problem. European nations had colonies, why not the United States? One way of opening up the new markets would be to conquer them.

STRATEGIC IMPORTANCE

The *North American Review* for June, 1898, pointed out that the islands possessed the three great essentials for protecting American trade in the Orient as advanced by Captain A. T. Mahan, leading naval strategist of the day. These were declared to be position, strength, and resources. The location of the islands was such that they commanded the channels of the China Sea as well as the road to Europe from the Orient, and they flanked the communications between any European power and her colonies in Asia. The United States warships could maneuver easily in the whole area if they were based in the Philippines.

The strength of a naval base in the islands was pointed out to be that the many straits and passes of the archipelago would make it difficult to blockade the island effectively. The resources of 8 million people, 114,000 square miles of territory, and the unsurpassed fertility of the soil of the islands were considered adequate. It was also pointed out that the Philippines were equi-distant from Singapore and Hong Kong, enabling the United States to cooperate with England, "our natural ally," in defending the trade that "Anglo-Saxon enterprise has won."

The importance of the Philippines in naval strategy could not be overestimated, it was believed. Captain Mahan served on President McKinley's Board of Naval Strategy during the Spanish-American War, and he did not lose an opportunity to point out that the occupation of the Philippines was an "unexpected and novel" opportunity for the United States to secure its own base in the islands from which to assist in the solution of "the problem of Asia."

From the moment of Dewey's victory, it was concluded that the United States should have a naval base at Manila. Our Far Eastern trade was sufficient by 1898 to require the protection of the Navy, and had Dewey been forced to retire from Manila during his engagement there, he would have had to return all the way to California to refuel, since the Hawaiian Islands were not formally annexed until more than three months after the date of the battle. Thus, a base was needed in the Philippines to which the merchant marine could go quickly for safety and to which the Asiatic fleet could go for fuel and repairs.

The need for a base in the islands was accepted by most people, but there was agitation to dispose of all other parts of the archipelago except only Manila or possibly the whole island of Luzon on which Manila is located. Naval strategists, however, pointed out that if the United States retained only a base or one island in the group, the remainder of the islands would fall to the possession of one or more of the European powers. There would be less danger of foreign complications, they said, if the entire group of islands were retained. It is likely that this important argument carried weight in the final decision to acquire the Philippines in their entirety.

Germany aspired to the islands as evidenced by the presence of its naval squadron at Manila during the summer of 1898 in hope of taking over part or all of the Philippines in case the United States decided not to keep them. This presence and the unfriendly attitude of the German admiral prompted agitation in the United States for retention of all the islands to prevent Germany, a commercial rival, from gaining a foothold and challenging America's new position as a world power.

Japan, too, had shown an active interest in the Philippines in 1898. Bemis states that "in a note of September 8 to the United States,

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the Japanese Government, while fully recognizing the decision of the future of the islands rested with the United States, suggested that if it felt inclined to undertake alone the administration of the Philippines, Japan 'would be willing to join with the United States, either singly or in conjunction with another Power having identical interests, in the endeavor to form, subject to proper conditions, a suitable government for the territory in question under the joint or tripartite protection of the guaranteeing powers.'" This suspicious suggestion probably had some weight in the final decision made by the United States.

England encouraged the occupation and the annexation of the Philippines by the United States. An English fleet had stood by during the German-American unfriendliness at Manila, and it was well known that England did not wish to see her Far Eastern position challenged by either Germany or Japan, her rivals there, through control of the Philippines. Great Britain was interested in buying the islands if the United States did not heed her urgings to keep them, but the latter was preferable to England because it would give her a needed ally in the Far East. Anglo-American relations were improving at this time, and the desire of England for the United States to retain the Philippines was not in vain.

With the above factors operating at home for the acquisition of the Philippines, the United States commissioners at the peace conference in Paris had been negotiating the treaty without definite instructions as to what to do about the islands. They were divided among themselves, and for weeks they could get no decisive statement from President McKinley. McKinley, too, was undecided until he made a trip into the Middle West in the fall of 1898 which convinced him that public sentiment favored the retention of all the islands in the group. His explanation of how the final decision came to him after he had returned to the White House from this trip is interesting. This is his explanation as he told it later to a delegation of clergymen:

> I walked the floor of the White House night after night until midnight, and I am not ashamed to tell you, gentlemen, that I went down on my knees and prayed Almighty God for light and guidance more than one night. And one night late it came to me this way—I don't know how it was, but it came: (1) That we could not give them back to Spain—that would be cowardly and dishonorable; (2) that we could not turn them over to France (sic) or Germany — our commercial rivals in the Orient—that would be bad business and discreditable; (3) that we could not leave them to themselves—they were unfit for self-government—and they would soon have anarchy and misrule over there worse than Spain's was; and (4) that there was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilize and Christianize them, and by God's grace do the very best we could by them, as our fellowmen for whom Christ also died. And then I went to bed, and to sleep, and slept soundly.

President McKinley summarized a great deal of the agitation for the annexation of the islands in this statement, but it is obvious that he placed much emphasis on the moral and religious factors since he was speaking to a group of clergymen!

As a result of McKinley's decision, the peace commissioners were directed to demand the cession of the whole archipelago, but Spain resisted this demand. The reaction at home was that Spain had been defeated in war and that she should accept the terms of the victor. This resistance made the people all the more anxious to retain the islands, because they felt that Spain should not be informing the victorious nation what she should or would not do. Spain's feeling injustice was quickly overcome with the United States offer of $20 million compensation—which, by the way, was favored by the churches of the nation.

The Treaty of Paris, including the cession of the Philippines, was signed on December 10, 1898. There was considerable doubt, however, whether the Senate would ratify it. Sentiment was fairly evenly divided, and the fate of the Philippines hung in the balance until several other factors favored ratification and annexation.

One of these factors was the Filipino insurrection which broke out just two days prior to the scheduled vote in the Senate. During the months of occupation by United States forces between the battle of Manila and

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the Senate debate, the native leaders had become more and more sullen. They wanted complete independence and began fierce, fresh hostilities against the United States Army on February 4, 1899. This resulted in an aroused sentiment in the United States that the nation should annex the islands and put down this revolt of savages against a people who had only benevolent feelings toward them. This "slap in the face" by the Filipinos convinced a few more senators to vote for ratification.

The other factor was the visit of William Jennings Bryan, leader of the Democratic Party which was leading the opposition to ratification, to Washington, D. C., during the debate to influence his followers in the Senate to vote for ratification of the treaty. Bryan believed that if the Democrats blocked ratification, they would be accused of technically prolonging the war and forcing the sons of many families to remain mobilized in the Army. Bryan also realized that the silver issue of the campaign of 1896 was being subordinated to imperialism, and he wanted the war and its imperialistic accompaniment out of the way in order to get free-silver before the people again for the 1900 election. For this reason, the Democrats sacrificed their negative votes according to Bryan's wishes. The treaty was ratified by the Senate on February 6, 1899, by a vote of 57 to 27—a margin of but two votes over the required two-thirds constitutional majority. There was enough opposition to defeat the treaty until Bryan appeared on the scene.

It was in this manner that the United States emerged from its hemispheric position and took its place as a colonial power in the Far East. Eight years later, Theodore Roosevelt, foremost of the annexationists, expressed the wish to be rid of the Philippines. In August, 1907, he wrote to his Secretary of War: "The Philippine Islands form the heel of Achilles. They are all that makes the present situation with Japan dangerous. I think that to have some pretty clear avowal of our intention not to permanently keep them and give them our independence would remove a temptation from Japan's way and would render our task easier."

The following letter was received by the Community Fund in another city:

"Gentlemen: Enclosed find my check for $2.00. You'll pardon me for not signing it, but I want to remain anonymous. A Friend."

Ayrograms

One of the junior attorneys in the office of the Washington legal firm of Covington, Burling, Rublee, Acheson & Shorb phoned the Treasury Department the other day and asked the young lady with whom he was connected about getting a certain government circular. The treasury girl was astonishingly cordial, once she got the matter of his identification through her head and said she'd personally see that the document was mailed out right away. As she took his address, she painstakingly spelled back the name of each of the partners. She wanted to be absolutely sure, she said, that she had all of them right.

"Thank you," said the lawyer, gratefully, at the end.

"Thank *you*," said the girl. "Until you called, my whole family was simply groggy trying to dig up enough names for a litter of pups that just arrived."

Safer Way

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Madame De Staël:

LIBERAL AND NATIONALIST

By HANS KOHN

Professor of History, Smith College

THE age of nationalism which started with the French Revolution transformed not only political but cultural relations as well. No longer were there exchanges of common ideas and experiences among individuals of various lands within one republic of letters; they became meetings between national literatures, each written in a different spirit. The conviction grew that literature and philosophy were not merely the work of individual genius but were shaped and determined by the conditions of society and the traditions of nationality. Several leading eighteenth century thinkers raised the point, but Germaine Necker Baronne de Staël-Holstein (1776-1817), was the first to establish it clearly in her long essay, *De la littérature considerée dans ses rapports avec les institutions sociales* (1800).

This daughter of a Genevan Calvinist started her literary career with a treatise on Rousseau's writings and character (1788). Finding in the France of 1789 her spiritual home and the center of her affections, she became one of the most important figures in the unfolding of early modern nationalism and the first mediator among the national literatures of the period. Burning with the ambition of becoming a leader of public opinion, she was one of the outstanding representatives of the liberal nationalism of the early French Revolution which had drawn its inspiration from the Anglo-American example and which believed with equal firmness in the liberty of the individual, in the national foundation of modern politics, and in the desirability of a universal, open society. Widely traveled in many European lands, learned and full of curiosity, she established through her personal contacts and her works an international exchange of national civilizations. Her love of liberty and her great and never satisfied political ambitions brought her into conflict with Napoleon. The ensuing years of exile were put to good use; they made a European figure of the French author.

In her novel, *Corinne ou Italie* (1807), and in her treatise on German literature and the German national character, *De l'Allemagne* (1810), she set herself a twofold task: to convey the message of French liberal nationalism to Italy and to Germany, to acquaint the French public with the little known Italian and German literary life of the period. The new intellectual developments of Germany, the philosophy of Kant and Fichte, the great poetry of the classics, Goethe and Schiller, above all the intensity of German literary life among the romanticists, had passed almost unnoticed in France. Madame de Staël introduced to the French a glowing image of Germany which was no longer fully true when she wrote it and which was soon to give way to new forces shaping a different Germany. But her heart-warming picture of a highly gifted, earnest, and dedicated people of poets and thinkers, who led a peaceful, modest, and virtuous existence in small picturesque towns without practical interests or political ambitions deeply influenced the idea which French intellectuals made of Germany. It became the foundation of a deep love and admiration for Germany, and above all for the German mind, which dominated France until the war of 1870.

Madame de Staël contrasted the rational

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coldness of the classicism of Napoleon's imperial style with the inspiration of German poetic enthusiasm. Her Germany was a country of romantic ruins and peaceful, sleepy cities, of wise patriarchs and contented burghers, of social tranquility and profound religious feeling. Above this graceful stillness, unruffled by greed for power or social conflicts, rose the realm of the German mind, detached from all earthly considerations, given to ecstasy and dreams, in quest of the good and the beautiful and always in search of the infinite. The land seemed full of great historical monuments and historical memories. In the very beginning of the book, she heard the Rhine "telling the great deeds of times long past, and the shade of Arminius seems still to wander along its steep slopes." But the ancient glories appeared dead to her; she was shocked by the political immobility, the idyllic quietness which contrasted with the glorious heroic past.

> One could say that the people of the north, the conquerors of the world, have left in Germany when they departed from her, under various forms, traces of their past, and that the whole country now seems a place which recalls the sojourn of a great people who have long abandoned it. This immobilized picture of actions which were alive a long time ago leave a distressing impression.

In the midst of many virtues and charms, the visitor from the West missed the force of public opinion, a national character and a national will, a center of unity for all the wealth of diversity. She found the German nation

> By nature inclined to literature and philosophy; however, the separation of classes which is more pronounced in Germany than anywhere else, harms in certain regards the mind itself. The aristocracy has there too few ideas, and the educated classes have too little contact with the practical world. Imagination rather than clarity of thought characterizes the Germans. A center and limits are needed for their prominent talent of thought which easily rises and loses itself in vagueness, which penetrates and disappears in the depth and confounds itself through too much analysis.

Madame de Staël wished to acquaint the French with German thought and thinkers: Prussia and Northern Germany appeared to her to be *la patrie de la pensée*. But she wished to do more: to arouse in the Germans the desire for national sentiment and united action, an action which by necessity must turn against France and against Napoleon, whose ambitions and aggressions Madame de Staël consistently condemned. Though the political problems of Germany were hardly touched upon in her book, her intentions were unmistakably clear. It was, therefore, not surprising that Napoleon's censorship did not allow the book to appear in 1810. In an extremely polite letter, the Minister of Police pointed out to Madame de Staël that she apparently did not find the air of France to her taste and that on the other hand the French were not yet reduced to a state in which they would have to search for models amongst the peoples whom she admired.

NATIONALISM

When the book appeared three years later, Madame de Staël published the letter in the preface, dated October 1, 1813, a few days before the battle of Leipzig, and in an important comment she defended her theory of nationalism. "Difference of language, natural frontiers, memories of common history, all these factors contribute to create among men these great individualities which are called nations." They constitute the chief actors of history, they create destiny. "The submission of one nation to another is against nature. Who believes today in the possibility of breaking up Spain, Russia, England, France? Why should it be different in the case of Germany?" When Madame de Staël wrote *De l'Allemagne*, she stated regretfully and apprehensively that the Germans were not a nation. Four years later, she pointed triumphantly to the fact that they were. "But does one not see," she asked, "some German lands (those of the Confederation of the Rhine) in fighting against their fellow Germans expose themselves to the contempt of their own French allies?" Against her French fatherland which had succumbed to the despotism of Napoleon and to the lure of glorious wars of expansion, she upheld the cause of France's enemies whom she found fighting for liberty and for a true patriotism. "The fortunate English

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constitution was the goal of the hopes and efforts of the French at the beginning of the Revolution; my loyalty has remained where theirs was then." Madame de Staël was faithful to the liberal nationalism of 1789 and its faith in the collaboration of free peoples in the cause of constitutional liberty.

Madame de Staël believed in cultural and political independence and at the same time in cultural and political collaboration. She was afraid of the uniformity which Napoleon's rule might impose upon the whole of Europe. When she visited Russia in 1812, she expressed her preference for Russians dressed in their native oriental costumes instead of in European fashion; in the latter case "they would enter too easily into that great uniformity of Napoleon's despotism which brings to all the nations first military conscription, then war taxes and finally the code Napoleon, in order to rule entirely different nations in the same manner." Mademe de Staël warned the Germans and the other European peoples against a desire to imitate the French. "In Vienna they believe too much that good taste requires speaking only French; whereas the glory and even the pleasure of each country consists always in the national character and spirit. . . . The superiority of French manners has perhaps prepared the foreigners to think the French invincible. There is only one way to resist this superiority; it consists in very determined national habits and manners."

Energetic action, she believed, could not develop except in free countries where the patriotic sentiments flow as irresistibly through the soul as blood flows through the arteries. But free countries must be peaceful countries; otherwise they may lose their liberty. Freedom makes nations strong, but only freedom with justice. In the early years of the Revolution, the French resisted Europe in a war of independence. Then alone were they stronger than the whole of Europe because they were united by the force of free public opinion. But when the French revolutionary armies began to march from victory to victory, Madame de Staël called for moderation: "You Frenchmen, you who have repelled the whole of Europe, you who triumph, is it not you who should calm the furious desire for revenge? Give peace to Europe, ask for it if it is necessary; you need it more than your enemies; for that liberty which alone can plead for you effectively before the judgment of history, depends upon peace." If the French would not achieve peace and liberty, nothing could excuse their terrible wars of defense. "Your victories would be confounded with your carnages and they would leave in your history nothing but annals of death. You may conquer everything but the independent esteem of just minds and courageous souls; yet these are the only approbations which by their impartiality are worthy of consideration."

While exhorting France to peace and cautioning her against the intoxications of triumph and conquest, Madame de Staël approved wars of defense. In a famous passage at the end of her *De l'Allemagne,* she praised enthusiasm as one of the great moving forces of life and history. It elevates us above ourselves, she wrote, above our immediate interests, and unites us with the divine and with the universal harmony. She called her readers to the greatness of self-sacrifice for the triumph of noble causes and she exalted wars of liberation. Before the eyes of the defeated of the day, the Germans and the Italians, she held the vision of a possible victory tomorrow, if ever a true patriotism would be aroused among them. "Men, all men, march to the help of their country when the circumstances demand," she wrote in 1809, at a time when few men in Germany felt any German patriotism and when many of them were aligned on the French side;

> But if they are inspired by enthusiasm for their fatherland, what a beautiful movement does then take hold of them. The soil which saw them born, the earth of their ancestors, the sea which laves the rocks, long memories, far reaching hopes, all that rises around them like a call to battle; each heart-beat is a thought of love and pride. God has given the fatherland to men who can defend it, to women who for its sake consent to the dangers of their brothers, husbands, and sons. When dangers begin to threaten it, a fever without shivers and without frenzy hastens the flow of blood in the veins; every effort in such a struggle springs from the deepest, innermost recesses of the soul. Let the bugle sound, let the national flag unfurl in the air, and you

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> will see eyes normally so gentle, so ready to become gentle again at the sight of misfortune, suddenly animated by a sacred and terrible will. Neither wounds nor blood will cause any shudders; there is no longer any question of pain or death, but only of a self-offering to the god of the armies; no regret or incertitude interfere any longer with the most desperate resolution; and if the whole heart is in it, one enjoys existence admirably.

But independence of the fatherland was only important to Madame de Staël if it was a fatherland of free individuals, protected against domestic tyranny and against attempts to stifle personal independence and to impose uniformity. In her *Considérations sur les Principaux Evénements de la Révolution Française* which she wrote in 1815 and which was published only after her death, she left a brilliant and passionate defense of the principles of 1789. The English constitution appeared to her as the model of liberty and reason, but she rejected the idea advanced by many after the experiences of the terror of Robespierre and the despotism of Napoleon that the French were unfit for liberty. She pointed out that England had to pass through long periods of bloody turmoil before making liberty secure. England, she wrote, had the glory to establish the system of representative gevernment first, but the vivacity and vanity with which one reproaches the French, would attach the French even more strongly to liberty once they had made up their minds about its need. "No people of Europe can be compared to the English since 1688: between them and the continent there are one hundred twenty years of social improvements." But the French are following suit. "They are the third nation, if one counts the Americans, which have tried their hand at representative government, and the example of those who preceded them in the attempt, finally begins to guide them."

In long and memorable pages, the author who had introduced Italy and Germany to the French, presented to them the picture of English political life and ideals. She clearly understood the dependence of English prosperity on English liberty, and she was confident that, in spite of some temporary deviations at the end of the Napoleonic wars, the cause of liberty would progress in Britain. Faithful to the convictions of liberal nationalism, she regarded liberty as the true bulwark of national strength.

> All men are more or less attached to their country; the memories of childhood and the habits of youth form that inexpressible love of the fatherland which one must recognize as a virtue, for it has its source in all genuine sentiments. But in a great state liberty and the happiness that this liberty gives can alone inspire a true patriotism; for that matter nothing is comparable to the power of public feeling in England.

Her devotion to freedom never blinded her to the peculiarities of nationality. In a country as devoid of personal liberty as Russia which she visited in 1812, she admired the energy and the will to sacrifice which the whole nation showed in the cause of national defense. The religious and the military spirit predominated so much that it made possible actions which in more civilized countries could be attributed only to liberty. "It is remarkable how pronounced public feeling is in Russia," she wrote, "the reputation of invincibility which repeated successes have given the nation, the natural pride of the leaders, the devotion of the people, the deep influence of religion, the hatred of foreigners which Peter I had tried to destroy in order to enlighten and civilize his land but which has remained in the Russian blood and which reawakens as occasion arises—all these reasons together make this nation a highly energetic one . . . . Even civil servants in Russia have a rank corresponding to a rank in the army; the spirit of the nation is wholly turned toward war." Madame de Staël encountered in Russia, in spite of the progress of civilization since Peter I, a surviving barbarism: "I understand by this word a certain primitive energy which alone with some nations can take the place of the concentrated strength of liberty."

With all her love for the liberty which Britain and America had and which she hoped would grow in France, she had no desire to shape other nations after their model. "Strange craze of the French Revolutionaries who wish to oblige all countries to adopt the same political organization as France!" she wrote. In Russia she deplored the fact that the Russian

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writers, as so many others on the European continent, imitated French literature which on account of its very beauties, fitted only the French. She recommended that they turn rather to Greece as a model but, she insisted, Russian writers must above all derive their poetry from the most intimate depths of their own souls.

National differences seemed to her to express themselves above all in letters and philosophy. They alone could transform a territory into a fatherland by endowing the nation with similar tastes and sentiments. Through them and not through force or military strength, a nation could be established on firm foundations. In the military spirit, there was too little spontaneity, too much uniformity to allow that strength in liberty, variety, and self-expression which alone rendered a nation fully alive. The military spirit was the same in all centuries and in all countries; it could not form the true character of a nation. Only the intensity of thought and the art of its expression furnished the necessary basis for liberty. This she found in Italy and above all in Germany. She told the French about them and unfolded before their eyes a picture of high spiritual life and greater creative fecundity. She expected that in Germany and Italy these thoughts would transform themselves into generous actions. In 1813, looking at the German War of Liberation, she found those hopes realized. "What the philosophers have put into systems, becomes now reality, and the independence of the soul will establish that of the states." But her generosity led her to misread the significance and the strength of the events. The philosophy of the generation of 1813 in Germany had little to do with the ideas of 1789 which Madame de Staël believed would bring individual liberty to Germany and peace among free nations to Europe. Germany in her first great national effort helped to break the tyranny of Napoleon, whom Madame de Staël so passionately hated, and helped establish national independence from France. But there was neither strength nor enthusiasm enough to establish the secure reign of individual liberty among the Germans themselves. And many of the thinkers and poets so dear to Madame de Staël had promoted a way of thought highly critical of, and even opposed to, her cherished ideas of 1789. The French Revolution found no responsive soil in Germany.

A car manufacturer once advertised that he could put a car together in 10 minutes. The next day he got a phone call asking if it were true.

"Of course," he replied. "Why?"

"Nothing much," said the voice on the phone, "but I think I have that car."

Peninsular Light

A museum in Oaxaca, Mexico, contains an immense collection of Indian relics. One giddy feminine member in a party of tourists pointed to a large decorated skull in one of the show cases, and asked the guide if he knew whose skull it was.

The guide, evidently tired of answering an endless chain of foolish questions, replied: "That is the skull of the Emperor Montezuma."

"And," persisted the tourist, pointing to a smaller skull in an adjoining case, "who was that?"

"That, madam," replied the guide with a perfectly straight face, "is the skull of Montezuma when he was a little boy."

Pan American

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Who Shall Carry the Goods to Europe

The E. C. A. and American Ships

By MARJORIE FOULKROD

Assistant Editor, *Forum*

A WAVE of protest has broken over the Economic Cooperation Administration. The question is: who shall carry aid to Europe —American or European ships?

On December 7, a letter from E.C.A. Administrator Paul G. Hoffman to Senator Styles Bridges, of New Hampshire, Chairman of the Joint Congressional Committee on European Economic Cooperation was made public. Mr. Hoffman stated that American shipping is being subsidized by unreasonably high ocean freight costs at the expense of the European Recovery Program. He also stated that, unless American bottoms were available at "competitive rates" by January 1, he would divert E.C.A. shipments to foreign ships. On January 18, he extended this deadline to April 1.

Behind Mr. Hoffman is the Foreign Assistance Act of 1948, which states

> . . . . The Administrator shall, in providing for the procurement of commodities under the authority of this title, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of commodities, procured within the United States out of funds made available under this title and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

Senator Knowland, of California, introduced the above in the form of an amendment to S. 2202, the European recovery bill:

> Mr. President, I offer the amendment and again perfected it after consultation with the chairman of the Foreign Relations Committee. The chairman I understand has had the matter up with the Department of State. It seems to me that the maritime industry and maritime labor should not be called upon to submit to an undue disadvantage under the Marshall Plan. Certainly we are not importing low-paid foreign labor and putting the workers at work producing in American plants in order to give a reduction in the price of the commodity. Those in the maritime industry, and particularly labor in the maritime industry, do not feel that they should be unnecessarily or unjustifiably discriminated against in the program. The amendment provides that insofar as practicable at least 50 per cent of the cargoes procured in the United States shall be shipped in American vessels, providing such vessels are available at market rates. I think there are ample safeguards in it to prevent the government or the participating countries from having to pay an excessive rate on the shipments. But I want to call attention to the fact that while at the present time, according to the information furnished by the State Department, more than 50 per cent of the cargoes are being carried by United States bottoms, though the percentage varies from month to month, that is true only so long as the bulk movements of coal and grain continue. When they drop off, as the European program succeeds, the percentage is very likely to drop to about 33 per cent, which was a peak reached during the pre-war period, over the 10 per cent carried in 1914. I believe it is a constructive amendment and one that furnishes ample safeguards.

Senate Foreign Relations Committee Chairman Vandenberg gave his endorsement:

> Mr. VANDENBERG. In the form finally submitted by the able Senator from

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> California, which has the approval of all the authorities I have consulted on the subject, I think the amendment is entirely satisfactory. I hope it may be agreed to.

Representative Willis Bradley, of California, who had been spokesman in the House for the shipping interests declared: "We certainly had no intention of subjecting American shipping to competition on even terms with the cheap labor tramp vessels of lower income nations of the world."

Along with Maritime Commissioner Grenville Mellen, Representative Bradley has taken the stand that "market rates" in the law mean standard fees for American ships, which on bulk cargoes are higher than foreign fees.

No sooner had Mr. Hoffman's letter been released than the shipping interests girded their loins for action.

The National Federation of American Shipping stated that Mr. Hoffman's

> Avowed intention [would] strike a serious blow at American shipping. . . . at a time when a large part of overseas cargo in the North Atlantic represents the generosity of the American peoples to the Marshall Plan countries.
>
> Just why American shipping should be singled out for special treatment in the E.C.A. program is not apparent. Every other industry supplying commodities or services is receiving the full American price.

Harry Lundeberg, President of the Seafarer's International Union, A.F.L., immediately joined in the protest. He threatened to throw picket lines around foreign ships carrying Marshall Plan cargoes if Mr. Hoffman carried through his plan.

Said Mr. Lundeberg in a wire:

> Your threat of using foreign ships exclusively in carrying relief cargo under the Marshall Plan is definitely against the policy established by the late Congress. . . .
>
> We see no reason why you should single out the American Merchant Marine and put thousands of seamen out of business, thereby weakening the American Merchant Marine, which is weak enough as it is. You are superseding your authority in playing ball with the cheap foreign shipping companies, and we intend to use all our power, including economic power, to see that American ships receive 50 per cent of the relief cargo.

Sweigert in the *San Francisco Chronicle*

The National Union of Masters, Mates, and Pilots, A.F.L., and the Ship Operators and Owners Association joined with numerous other organizations requesting that no action be taken by E.C.A. until Congress convenes to give its own interpretation of its intent.

The maritime problem is not a new one for the United States Congress, for the American Merchant Marine does not adhere to the rules of business. Under present conditions, it cannot compete with world shipping. An adequate merchant marine is nevertheless necessary for national defense, and for that reason spokesmen for maritime interests justify demands for subsidies.

American shipping is in the doldrums. In the first six months of 1948, American ships carried only a little over 39 per cent of the United States' waterborne exports, the lowest since 1942. Coastal and intercoastal shipping failed to revive after the war. These two factors have accounted for the laying up of more ships and for the unemployment of some 15,000 seamen.

The merchant fleet declined between October 1, 1948, and November 1, 1948, from about 1,750 ships to less than 1,600. These figures include the coastal fleet. With the exception of the armed services, the E.C.A. is the merchant marine's biggest customer.

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The United States merchant marine has counted on about $225 million dollars in business annually from E.C.A. The E.C.A. budget allots $300 million for total transportation costs in an eight-month period. Should the E.C.A. shift its cargoes to foreign vessels, President Albert W. Gatov, of the Pacific American Steamship Association, stated that within a month from January 1, 344 American flag-ships would be laid up.

In the Senate Foreign Relations Committee's hearings on shipping, labor leaders presented statistics for the post-war drop-off in seamen's employment. In September, 1945, the average number of seamen employed on the Pacific coast was 48,857. In the month of December, 1947, it dropped to 18,668.

Harry Lundeberg also admitted that it cost approximately $100,000 more a year to operate an American Liberty ship with American crews, under American conditions, than it does to operate the same type of vessel with foreign crews under European conditions.

Wage scales are admittedly a large factor in this problem. The International Labor Organization established a minimum wage for able-bodied seamen at $64 a month in June, 1946. At that time American able-bodied seamen received $145 a month and at present they receive $222.51.

When Paul Hoffman made his announcement, pointing out that the promised move would save European recovery dollars, he stated that in the case of coal shipments to France, it cost $4.50 more a ton to ship in an American vessel than in a foreign one, which amounts to a $4.50 a ton subsidy to American shipping.

Statistics reveal that 12 per cent of European recovery funds are now used to pay freight rates and, in the case of France and Italy, shipments require up to 20 per cent.

Mr. Gatov seemed to feel that as a result of Mr. Hoffman's announcement, foreign freight rates on E.C.A. shipments had already risen. On December 3 a Swedish ship was contracted in New York to haul E.C.A. coal to France at $8.10 a ton, and a French ship was put under contract late the same day at $8.25 a ton. The next day $8.50 a ton was offered for the same job, but "there were no takers among foreign owners."

Senator Knowland, who had introduced the measure in Congress, urged Mr. Hoffman to postpone his action stating that the phrase "market rates" in the bill referred to market rates set for American shipping by the Maritime Commission. He went on to say that if world tramp rates were to apply, "it would be just as logical, in a way, to say that due to the fact that American freight charges on railroads are higher than those in Europe, we should cut freight rates on transcontinental lines to approximately what it would cost to ship E.C.A. freight in Europe."

One American official in Europe in close touch with the recovery program stated: "Nothing we have done has been so widely acclaimed as evidence that we mean what we say in putting recovery first . . . . It is also the best single slap at Communist propaganda against E.R.P."

Mr. Hoffman's proposal would not only combat propaganda, but it would have a real effect on European coal prices.

A three-way battle has been going on between E.C.A., Great Britain, and the bizonal authorities in Germany over whether and how much German coal prices should be raised. The main reason for raising them is that the British prices are higher by $2-5.00 a ton; the reason British coal is so high is American coal is supplying Europe's marginal needs at $4.50 a ton more than necessary because much of it has to be carried in American ships.

European shippers believe that within four-five months enough European ships can be found for all coal that will be crossing the ocean. The European vessels could carry coal at about $16 a ton instead of $20-$21. This would bring down the price of British coal.

On December 22, Mr. Hoffman postponed taking action until February 1 on placing E.C.A. shipments on foreign vessels. The problem will undoubtedly fall at the feet of Congress who must decide the ticklish question, whether to save recovery dollars and to bolster E.C.A. or continue to subsidize American shipping. Perhaps Congress will decide to subsidize the American merchant marine further and remove the subsidy from under the cloak of the European Recovery Program.

But whatever the program, it looks as if the American taxpayer will pay the bill.

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Weathervane

Moving unmoved,
Like the fixed tree
For constancy
But like the leaf
Aware
Of all the tricks
And politics
Of air.

Fickle?
Let the fool laugh
Who fails to see
That only he
Who freely turns
Discerns,
Moving unmoved
Is free.

—ROBERT FRANCIS

Man Awake

The rain began as whisper—and he heard,
Listening intently to the intimate sound;
Like lovers meeting in a whispered word
Was rain's arrival at the thirsting ground;

And then the rain was mutterings in the boughs
Of an old tree that he had heard, before,
In discontent with what its lot allows,
And he was listening less—when rain turned roar!

The rain was roar, was swelling with great anger,
And he, again, was listener—but not long:
For he had fallen to thinking, then, how danger
Is sudden and past, and care is a dull wrong,

But love, low-spoken in the heart, is kept,
A delicate whisper, there—and then he slept.

—DAVID MORTON

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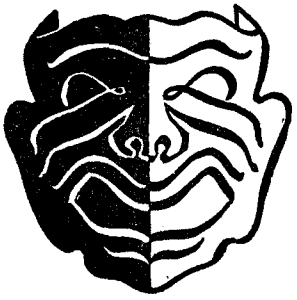
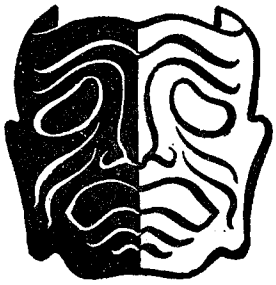


The THEATRE ARTS



by John Gassner

If the month of December is taken to be the midpoint of a theatrical season which extends from September to April on Broadway, then December is the month to watch for signs and portents. By then we generally discover the truism that Broadway changes very slightly, if at all, from year to year. It continues to exhibit the same fitful competence, the same spurts of vigor and aspiration which alternate with the same idiocies and vulgarities, the same adaptation to the requirements of profitable mass entertainment, and the same effort, sometimes successful, to defy the fates and look for untrodden paths. December, 1948, witnessed an almost exact division between productions tailored to the public and productions dedicated to other gods than Mammon.

The most obvious wooing of the public came from the new musicals, *As the Girls Go,* comfortably seated on the crest of popularity, and *Kiss Me Kate,* which came success-bound from Philadelphia. And both were very satisfactory exhibitions of entertainment of the eye-filling, ear-filling, funny-bone-tickling variety. *As the Girls Go* offered two potent, resistance-breaking commodities, beautiful girls and Bobby Clark, America's best-loved clown. It is difficult to say which commodity could be resisted least. The appeal of the former must have started with the Fall in the garden of Eden, but Bobby Clark somehow evokes memories of primal innocence before Adam took a bite of the apple. Bobby Clark's tricks of the trade, which are not innocent, are invariably transfigured by his rapt personality which shines like a candle in the naughty world. He is the eternal child-man, irrepressibly irresponsible, gay, and wanton. *As the Girls Go* has a book or, more accurately speaking, a notion upon which he can swing himself and the audience into a state of benign lunacy, for it makes him the husband of America's first woman president in the person of the charming Irene Rich. The president's enemies hope to put an end to her administration by capitalizing on her husband's talent for getting into trouble, but he is invulnerable, elusive, and a joy forever. He also disarms dramatic criticism.

Little more need be said about *Kiss Me Kate* than that it is the most enjoyable musical we have had in a year. It marks no particular advance or development in the field, and it is altogether in the groove of musical entertainment. But it succeeds eminently in this groove, and only an extreme purist would cavil at entertainment so expert and so pleasant. Bella and Samuel Spewack, wits of some renown, have pooled their resources with those of a playwright reputed to have a little wit himself, and have turned *The Taming of the Shrew* into a very serviceable "book." Cole Porter has spiced it with saucy lyrics reminiscent of the days when he was sophisticated Broadway's darling, and has composed a superior Porter score exceptionally well orchestrated by Robert Russell Bennett. The settings and costumes designed by Lemuel Ayers are among his best; the costumes are the loveliest to be seen on Broadway, and I hope they are put on microfilm and stored underground for posterity. Hanya Holm's choreography is varied, appropriate, and vivacious, and John

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C. Wilson has staged the proceedings with unflagging verve and vivacity. Alfred Drake is an excellent musical comedy hero and a pleasant Petruchio, while Patricia Morrison makes a delightful shrew. Even literature is served handsomely by the comedians Harry Clark and Jack Diamond with a soft-shoe recommendation to "Brush Up Your Shakespeare." In fact, everybody concerned with *Kiss Me Kate* gives Broadway what Broadway wants, full measure and over. It is all very artful. It is show-business at its best, second only to *Annie Get Your Gun* as an exhibit of the gusto we can put into musical comedy—and gusto requires no more apologies than good health does.

At the other end of the musical scale, however, lies that work of rare beauty and exceptional good taste, Benjamin Britten's opera, *The Rape of Lucretia,* which is probably the last thing one would associate with Broadway show business. The theatre is precisely what opera needs if it is to be rescued from absurdities. The singularity of *The Rape of Lucretia* lies in the fact that it is musically worthy of the great tradition of opera and that it dispenses entirely with the production numbers, spectacles, and virtuoso solos that conventional musical comedy and music drama have in common with so-called "grand opera." The result is remarkably modern, which, as often happens, also makes the work remarkably traditional, for the wheel turns full circle and brings us back to Gluck, Purcell, and Monteverdi. *The Rape of Lucretia,* so traditional in story and yet so modern in idiom, form, and spirit, reminds one of nothing so much as Sir Henry Purcell's early seventeenth century *Dido and Aeneas.* Perhaps the reason is that the classical is always essentially modern.

It is true that the Ronald Duncan libretto dredges up a story that was already old when Livy put it into his history of Rome, and one might have expected it to be rather played out by now. The contrary is true, unless in missing a good many words, I also missed some antiquated matter and style. I doubt this, however, because the sentences I did not miss seemed direct and forceful, and because Mr. Duncan has told his tale with simple psychological reality. The infamy of the Etruscan prince, Tarquinius, exemplifies the age-old attitude of master race to subject race. A Frenchman during the German occupation could have dramatized the rape of the Roman matron in Paris with the same implication of protest that Anouilh suggested, though murkily, in his *Antigone.*

But considerations of text are necessarily secondary to the musical realization of the story. *The Rape of Lucretia,* would be musically and theatrically gratifying if one had only a vague notion of the story of how Tarquin, egged on by a betrayed husband and inflamed with passion, raped the wife of the Roman officer Collatinus and how Lucretia killed herself in shame. The music establishes the mood, drive, and character-dimension with inescapable rightness. The narration maintained by a male and female singer, the drinking song and quarrel of the officers, the spinning scene in Lucretia's home, Tarquin's nocturnal assault, and Lucretia's suicide are expressed with musical and visual power. They are beautiful scenes in themselves; they could be abstracted from the story and still be dramatically exciting as well as musically complete.

The credit belongs primarily to Benjamin Britten, without whose score *The Rape of Lucretia,* would have no reason for existence. But the fact is that this music drama is staged at the Ziegfeld Theatre with rare excellence. The climactic contribution is Kitty Carlisle's Lucretia. Her carriage and movements accomplished what tragedy should always do, transfiguring an unattractive situation into a memorial to human dignity. Her deep notes voiced her sense of defilement and canceled it in the same breath. Miss Carlisle brought a rare classical spirit into the theatre, and glorified both herself and tragic art in doing so.

The contrast between *The Rape of Lucretia,* which is not likely to be a substantial box-office success, and its extremely marketable half-sisters, *As the Girls Go* and *Kiss Me Kate,* is duplicated in the non-musical theatre. It is best illustrated by the divergence between pieces like *Jenny Kissed Me* and *Light up the Sky* and several new dramatic efforts like Maxwell Anderson's *Anne of the Thousand Days* and Maurice Val-

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ency's adaptation of Jean Giraudoux' *Madwoman of Chaillot.*

Light up the Sky, Moss Hart's sardonic-sentimental bow to show business, is itself show business in every respect. If rumor is to be credited, the version on display at the Royale represents an effort to salvage a worthier intention. It is plainly an effort to sustain comedy after a delightful first act, and the method employed is something compounded of caricature, straining for humor, and the laying on of salves after gashing the well nurtured skin of the men and women of the theatre. Mr. Hart has proved himself a very efficient play doctor, and he has displayed an almost frightening sharpness as the director of the show. Such timing as he has given it is uncanny, and timing is not all he has given it. He wastes nothing, makes every word count, and finds the right emphasis for every transition of mood or decision. In this, the director is vastly helped by his cast, by that one-woman dynamo, Audrey Christie, by the infallibly vital Sam Levene, the poisonously genial Phyllis Povah, the delightfully mad Glenn Anders, and others. *Light up the Sky* is destined for a long and profitable life on the Great White Way.

I do not, however, imagine that Mr. Hart is particularly happy with the way his play turned out, because it is a compromise. He can hardly blame himself, given the nature of the play and the public. It is perhaps more correct to blame only the conditions of Broadway production which leave playwrights no alternative to a "hit" but a failure. There is nothing more vicious in the Broadway set-up than this necessity of turning out hits. Few of the works of the modern theatre were ever written under such compulsion. The masterpieces of Ibsen, Strindberg, Hauptmann, Chekhov, Shaw, Synge, O'Casey, and O'Neill were never created to meet this requirement. In all probability, they would never have been created at all if their authors had felt that requirement had to be met. A dramatist worth his salt is primarily interested only in having his say. What, after all, is a hit but a reaching down for the lowest common denominator of taste, as Hollywood knows so well?

Sometimes a play reaches that common denominator and at the same time expresses its author's probings and convictions. This appears to be the case with Maxwell Anderson's *Anne of the Thousand Days,* perhaps because he happens to be a man with a flair for both literature and theatre. Perhaps, too, his unkindest critics may say, because his literary virtues are modest and his outlook is more noble than original. He soars, they will say (and I think correctly), but his flights don't carry him very far from the average playgoer's sensibilities. But this is in itself no discredit, and if *Anne* has distinct limitations in the present production they do not cancel the merits of his play as dramatic work well above the level of Broadway play-writing.

Maxwell Anderson is once more giving dramatic romanticism a lease on life with a successful historical play of kings and queens playing the gambits of love and hate. Once more Mr. Anderson gives them literate language, fine bursts of eloquence, and credible, rounded characterization. If you listen carefully, you will even discover lines of poetry exceedingly welcome after the miles of prosaic gibberish through which the Broadway playgoer has to stumble night after night. If you do not set yourself exalted standards of poetry, which Mr. Anderson has never really pretended to meet, although he has made valiant efforts to do so, you will even acknowledge that the author of *Elizabeth the Queen, Mary of Scotland,* and the new play is almost singlehandedly holding the fort for poetic drama. And, although Broadway could very well use poetic drama, it has been plain that he is the only practitioner who has been able to make it prevail in the midtown area, because he knows how to create theatre whereas better poets than he who have a flair for the dramatic don't quite have the knack. MacLeish, Kreymborg, Eliot have all tried to give of their considerable talent to the stage, but only *Murder in the Cathedral* proved sturdy enough to hold the interest of strictly theatre audiences. Unlike the theatre of the Greeks, Elizabethans, and the age of Louis XIV, ours is a theatre of movement rather than of sound.

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Anne of the Thousand Days retells the familiar story of Henry VIII and Anne Boleyn, his second queen and the mother of Elizabeth—their passionate love affair which changed the course of history, cut England adrift from the Church of Rome, and ultimately made England the empire that superseded continental Spain and determined the destinies of three-quarters of the world for more than three centuries. That is a lot of history to pack into a play, but Mr. Anderson is craftsman enough to limit himself to what a play can present without attenuation. He confines himself to the love affair and leaves the political ramifications to summary and implication, in this respect proving again that he has a neat way of conjuring up the shade of all but vanished romanticism. The decided limitations of that style of drama, and particularly of Mr. Anderson's limited use of it, would rate an essay. For the present purpose it is perhaps sufficient for us to note that this style tends to be rather impoverished in significance and in substance, and that the concern with the Henry-Boleyn story *as history* seems somewhat academic except in the scene between the king and the noble delegation that opposes his assumption of leadership of the Anglican church. Mr. Anderson's romanticism is limited to a small order of excellence, it does not seem sufficiently meaningful for our times, and it is not comparable to the vaulting efforts of romantic drama. There may be more to the play in print, but Anne is judged here only as produced drama.

Nevertheless, Mr. Anderson has provided another piece of good theatre. He has given us several vital characters, some robust humor, a vibrancy of personal relations, and an Elizabethan pattern of drama which possesses dramatic drive and theatrical imagination. He is one of the few playwrights who dare to use the stage plastically, to treat the theatre as theatre, and reject the shackles of conventional realistic drama. The play has sharpness and excitement within the scope of its conception. And Mr. Anderson has been once more singularly fortunate in his production and cast. He benefits greatly from his actors' performances and personalities — from Percy Waram's marvellous Wolsey, Harry Irvine's Bishop Fisher, and Joyce Redman's spirited and vastly appealing Anne Boleyn. Mr. Rex Harrison's performance of Henry VIII is almost a play in itself. His Henry is an unflaggingly vital and multi-dimensional character—lover, rake, tyrant, king, and genius rolled in one.

Another example of arresting theatre is *The Madwoman of Chaillot.* Its author, the late Jean Giraudoux was one of France's most typical, as well as talented, men of letters—which is another way of saying that it is impossible to define his work without using a variety of normally incompatible attributes. He was serious and gay in virtually the same breath; he was profoundly sympathetic and yet mordant; he was realist and fantasist; he had convictions and was nevertheless a sceptic. He lacked only the twin virtues of impassioned imagination and incandescence to qualify for the attribute of genius, and that rare endowment appears to be excluded for most supremely civilized persons.

The play is presented by Alfred De Liagre in an excellent adaptation by Maurice Valency. Since Mr. De Liagre has assigned the main roles to Martita Hunt, Estelle Winwood, John Carradine, Vladimir Sokoloff, Clarence Derwent, Nydia Westman, and Doris Rich, which is as trusty a cast as one could desire, the production is something that commends itself to everyone interested in the refinements of theatre.

A summary of the play reduces itself to something as simple as a mad noble-woman's decision to rid the world of its exploiters—the ubiquitous prospectors and entrepeneurs of capital. After these have been revealed in all their iniquity as the enemies of honor and happiness, the Countess lures them into an endless subterranean passage from which they will never emerge, and the disappearance ushers in a new reign of happiness. Many sharp barbs fly from this fable and the lunatic antics are at times an irresistible combination of *Alice in Wonderland* and *Candide.* The conference of four mad women and the trial of the entrepeneurs in the Countess' cellar more than compensate us for the *longeurs* of the first half of the evening. The notion of the mad prospector

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who would like to blow up Paris in his search for oil in its substratum is a brilliant *reductio ad absurdum* of our materialistic outlook, as in his complaint that "civilization gets in our way all the time." The writing is shot through with brilliantly wise phrases, such as the reference to "the only social unit of which our world seems capable — the corporation." In truth, *The Madwoman of Chaillot* is a feast for the intelligentsia, which is generally excluded from the theatre's beneficence.

For those who have graduated from the intelligentsia, however, *The Madwoman* has fewer gratifications than one would expect. Its satire on rapacious capitalistic enterprise is too well worn, if not frayed, and its indictment of capitalism is oversimplified without quite becoming either a fairy tale or a metaphor of consistent excellence. And very much the same thing may be said about the resolution, for the world is not going to be rid of capitalism by madwomen sending prospectors and capitalists into the bowels of the earth, nor is the millenium assured if this should happen. If this reads like captious and unimaginative criticism, it points to something essential I believe—the metaphor of the fantasy translates itself into something quite unreal and unsound. And this is another way of saying that Giraudoux created his fable without sufficient appraisal of reality. *The Madwoman* is then the product of fancy rather than of imagination and is not as vital as it may seem to those who can be fobbed off with brightness. This does not, of course, mean that the fancy cannot provide stimulation and fun. In fact, it is one of the limitations of the play that its fancy is not rich and light enough to sustain a full-length play. Neither Giraudoux nor his adapter dispensed enough poetry and madness to make *The Madwoman* completely successful even on the level of fantasy — the Saroyan vein is not flowing freely here. Fortunately, too, *The Madwoman* was not the only European contribution to the theatre of the mind. Sartre contributed two plays of considerable interest—*Red Gloves* and *The Victors,* the former inadequately realized, the other extremely moving. They will be discussed in March.

The producer was planning a war movie. "This will be the extravaganza to end all extravaganzas," he purred. "I'm going to use full armies—4,000 men on one side and 5,000 on the other."

"A total of 9,000 in one movie?" exclaimed the director. "How can we afford such an extravaganza?"

"Easy," replied the producer. "We'll use real bullets!"

Chicago Sun Times

A letter from the American Standards Association stated that they had adopted the terms "flammable" and "combustible" to avoid confusion with "inflammable"—the prefix "in" sometimes having a negative sense. The apostles of "flammable" had few arguments to offer, but those of "inflammable" had the following contribution to make:

"If the prefix 'in' is to be lopped off from words other than negatives, how's this for an office memo?

" 'I am structed to form you that the more dustrious and telligent members of the Committee on Spection and Surance of Flammable Materials have been duced to refrain from attending meetings in a state of toxication.' "

Australian Standards Quarterly

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COUNTRY COMMENT

A city ear sensitive to noise had better find itself a sound-proof room or resort to ear-plugs or downright deafness. But in the country a sensitive ear may reasonably hope to eliminate the sources of its annoyance. Especially if one lives in a quiet countryside, as I do, and lives alone. Such a person, true, may become over-fastidious about everything that impinges on his eardrums. But in fortunate surroundings, why shouldn't one be fastidious?

Four sounds during recent months—and I think four only—have caused me displeasure: a mouse, an airplane, a telephone, and a clock. (I put the mouse and the airplane in the singular because it was only one mouse and one airplane at a time that disturbed me.)

Note that it is the sound of a mouse rather than the mouse itself that I object to. An inaudible mouse might live here in peace, but not a mouse that gnaws, scratches, scuffles, scurries, and rolls hard objects to and fro overhead. Abhorring torture by cats or poison, I am using a simple trap that kills as it catches.

The airplane also is under control. It was never more than a small affair from a nearby airport, with a nuisance value comparable to a persistent fly in sticky weather. It was seasonal too, delighting to defile the peace of a summer Sabbath. Drawing virtue from my Irish ancestors, I pronounced a curse on the buzz plane in the form of a poem. Ever since then the situation has been better.

What shall be said of my telephone? For a phone on an eight-party line, it is surprisingly well-behaved and restrained. I should have no complaint at all except that another party on my line, a truck driver, is frequently called early in the morning, any time from four to six, on important business. In self-defence I had my phone moved near the outer door, intending to put it out at night, if need be, like a cat. But the door was found to close too tightly to accommodate the cord. So instead of putting it out like a cat I now put it nightly to bed like a child. I wrap it in a blanket and place it in a large closed tin container.

The clock, an electric clock, my only clock, is still the greatest problem. Having served me well and not too audibly for several years, it has recently taken to sounding like a little putput boat annoying a summer lake. My resentment at the clock is not so much at the noise as at the unseemliness of the noise. Is not time essentially a silent force? Should not clocks, far more than children, be seen and not heard? So long as clocks had to be ticking clocks we tolerated the ticking. But electricity, like time, is a force that flows and flows silently. An electric clock that makes a racket is a double abomination.

Though my clock refuses to be silenced, it does subside somewhat when laid on its face. In that position it runs, to be sure, it works, it fulfills its calling. But like a difficult child, it continues to be more heard than seen.

One traps a mouse, puts a curse on a buzz plane, smothers a telephone (to change the figure), and keeps a clock flat on its face. Just what, my friends are beginning to ask me, does one do to counteract the noise of pine needles falling intermittently on snow?

ROBERT FRANCIS

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JASPER R. LEWIS

Books in brief

The picture of China that is given in *China: The Land and the People,* by Gerald F. Winfield (Sloane, $5.00), is much in line with conservative occidental opinion, well steeped in sympathy for the people. Winfield lived and worked in China from 1932 to 1945, as research biologist. Stressing the importance to the world, particularly to the United States, of a peaceful, progressive China, Winfield devotes the first half of his book to the country as it has been, its natural resources, its backwardness, and above all its people.

Of particular interest to the author, a doctor of hygiene himself, is the health situation, frankly bad on all counts. This, due partly to ignorance and more to the peculiar agricultural system, is probably responsible for more than the high death rate and the low standard of living. The farm situation is analyzed frankly and simply; the arable land has to support four times as many people as are fed in the United States by 50 per cent more land. Also, here 10 per cent of the number of workers are required to do the job. The reason, of course, is machinery. Lack of transportation is also a part of China's backwardness, and while the natural resources are present, lack of facilities keeps production close to the source.

It seems to the reader that Winfield does not sufficiently condemn the leadership which over the years has done little to advance public interest. If anything, he is more than tolerant of the Kuomintang and its heads. Admitting that there has been graft as well as incompetence in high places, he still finds the Nationalists the more desirable party. As he explains later, it is not that he loves them more, but the Communists less.

The second part of the volume attempts to answer the question of whether China can be rebuilt. The postulate that the starting point must be sanitation is reasonable, both in the interest of health and industry. Irrigation, water power for electricity, and other twentieth century advances are required. It would have to be done largely by American capital, but the technical problems are more a question of money risk than of methods of solution.

The one problem that above all must be solved is population. With predictions that the Chinese population may reach 800 million by the end of this century, Winfield believes that only a lower birth rate can help China. Birth control has been introduced and tried in some parts, with some little success. He says briefly, if regretfully: "The future welfare of the Chinese people is more dependent on the prevention of births than on the prevention of deaths." Education, of course, must be encouraged, as anything else that will raise the standard of living.

Probably the weakest part of the book is the last, in which, citing the efforts of the Communists and the Nationalists to improve the lot of the people, Winfield seems torn between acknowledging the Reds' actions and his natural dislike for them. The small landowner has gained at least temporary benefits from the Communists including taxation according to income. The Nationalists have become bureaucrats at their worst, although the Kuomintang, being the accepted party, has received foreign aid and support. Currently it seems to have reached its end. As Winfield points out, the real liberals have no place in either party.

For its factual and blunt statements, particularly on the hygienic and human side, the book is commendable, even if somewhat noncommittal on the political outlook. The volume is published in cooperation with the American Institute of Pacific Relations.

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Harrison Forman knows China well, after years of service as correspondent. *Changing China* (Crown, $4.00), offers less of that country's present predicament than it does of its past, both glorious and unhappy. Forman has here a veritable handbook and travelogue through 40 centuries of life in the Orient.

Taking up China's history from legendary days, two thousand or more years before Christ, the story of conquerors and mixtures of races and religions is given more or less factually. For anyone desirous of a quick review of China's historical background, this is a good way to get it. Forman presents his information well; sections of the book are devoted to individual provinces, while other chapters go into details of customs, industries, education, and transportation.

In the part of the book devoted to current affairs, there is some recapitulation of the results of the recent World War, particularly with regard to industry, railroads, and other modern problems. The facts speak out loud for themselves.

BRIEFER COMMENT

WORLD AFFAIRS

What has been happening in Japan and Korea since our occupation began is reflected in *Japan Diary,* by Mark Gayn (Sloane, $4.00). Gayn's report of two years of observation is disturbing. He is not enthusiastic about our manner of trying to break up the zaibatsu, and he is certain that many Japanese and American officials were busy feathering their own nests while on duty to make over Japanese economy. Above all, there is more than grave doubt that the Japanese are heading for democracy. Geyn's comments are worth study, and he does not omit discussion of the Communists' place in the picture.

Throwing more light on the history of Europe during the war, *The Rape of Poland,* by Stanislaw Mikolajczyk (Whittlesey House, $4.00), is the record of the former Polish premier's fight against Soviet agression from 1939 to 1948. The story of his attempts to bargain with Stalin is detailed. According to Mikolajczyk, Roosevelt himself did not or could not fulfill some pledges, and Churchill found it expedient to side with Stalin at times.

David Bradley was one of the monitors whose task it was to watch and report on the results of the Bikini tests. In *No Place to Hide* (Atlantic-Little, Brown, $2.00), he quotes his diary from May 29, 1946, to October 10 of that year, with details of the experiment, the results on people, animals, and things. It is a warning note on the dangers of misused radioactivity to civilization, and it is also something that should be made known to intelligent people in all lands.

BIOGRAPHY

In *The First Romantics,* by Malcolm Elwin (Longmans, $3.50), there is a new approach to the biographies of Wordsworth, Coleridge, and Southey. The lives and loves of each of these, and the impact of each on the others, reveal not only the poets themselves but the times in which they lived. Elwin writes entertainingly, mixing literary commentary with the facts and fancies of society in England and in France. The French Revolution is the background; the dream of a utopian community in America one of the threads binding the three poets. There is characterization and there is tragedy, as in the story of Wordsworth and his sister.

The glory of Britain's golden era is reflected in the pages of *The Reign of Queen Victoria,* by Hector Bolitho (Macmillan, $5.00), who has made himself an authority on Victorian matters. Aside from the personal biography, there is plenty of history in its pages, some of it of special interest today because of colonial changes. Some of the source material has never been used before.

The Africa of Albert Schweitzer, by Charles R. Joy and Melvin Arnold (Harper's and Beacon Press, $3.75), by text and photograph tells the work being done at the Schweitzer Hospital for the African natives. It is the story of an unusual career.

Eisenhower Was My Boss, by Kay Summersby (Prentice-Hall, $2.75), is surprisingly free of trivial matter. The author was the

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general's driver and later secretary through the war years. Most of her recollections are friendly and yet directed to the point, whether about people or events. As would anyone, she made her own estimates of officials she met, including President Roosevelt. One person she definitely did not admire was Montgomery, although she was a Londoner when she joined the volunteers. Well worth reading.

FICTION

Remembrance Rock, by Carl Sandburg (Harcourt, Brace, $5.00), is epic in ambition and in size, requiring nearly eleven hundred pages to tell its story. Its beginning is briefly in the present, and it then goes back to England in 1607, setting the stage for the emigration to America of the ancestors of the chief characters. It rambles on for three hundred years in the United States. As is usual, Sandburg writes a story that is detailed in its picturization of characters, and is carefully welded to its times. There is a lot of American history and folklore in it, and much of interest for the patient reader.

A group of stories of life in the hot spots of Europe—sometimes they were not so hot—makes good reading in *Sweet and Sour,* by Joseph Wechsberg (Houghton, Mifflin, $2.75). The tales appeared previously in magazine form.

Dinner at Antoine's, by Frances Parkinson Keyes (Julian Messner, $3.00), is pleasantly reminiscent of both New Orleans and its famous restaurant, with Sazeracs and oysters Rockefeller thrown in to make atmosphere. Aside from its authentic New Orleans background, it is a mildly exciting story of social amenities, a little mystery and a number of characters, some of whom should have known better. The author has been reading Cabell; "susurrus" is a word I have met nowhere else.

To Seize a Dream, by Virginia Hersch (Crown, $3.00), is the biography of the artist, Eugene Delacroix, told in fictionalized form. In the background are the political events of the 1820's and 1830's, with the famous names of the day in art, literature, and affairs of state. Mrs. Hersch elaborates on the artistic whims, successes, and problems of Delacroix, and through his numerous love affairs welds the whole into an interesting narrative.

Howard Fast's *My Glorious Brothers* (Little, Brown, $2.75), is a tale of the Macabees, made by Fast into a story of a struggle for freedom. The Romans, Greeks, and Jews of Biblical times are the characters, and the lesson is the great love of men for liberty and their own gods.

A tale of Poland in the seventeenth century, *The Meek Shall Inherit,* by Zofia Kossak (Roy, $3.00), is love story, adventure, and a little philosophy of long ago. In his search for truth, the central figure, a nobleman, learns much about the life of his own poor. The influence of church and priest, always felt in Polish life, is manifest.

MISCELLANEOUS

The Tax Dodgers, by Elmer L. Irey and William J. Slocum (Greenberg, $3.00), is "the inside story of the U. S. Treasury's war with America's political and underworld hoodlums." Irey was former chief of the Treasury's enforcement branch. Some of the big cases of recent years came to him, including Capone, the Lindbergh kidnapping, Huey Long, Prendergast, and others. It's all intriguing reading, but to me the Huey Long story is the most revealing. I still wonder why Seymour Weiss, Long's No. 1 man, did not have me kicked out of his Roosevelt Hotel when I picked on him.

With love and reverence for his topic, Robert Gordon Anderson writes of Paris in *The City and the Cathedral* (Longmans, $3.50). Here is France of the Middle Ages, from 1200 to the fourteenth century. Kings, queens, artists, writers inhabit the pages as though they were still living.

The Road to Reason, by Lecomte du Nouy (Longmans, $3.50), was written before *Human Destiny,* and is composed of chapters on scientific approach to man's problems. In it the author also explains the need for these interpretations as a continuing effort of man. It is not for the general reader.

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More Than

FIFTY YEARS OF FORUM

"It all depends on where you sit, how your picture's going to look" runs an old adage. No better example of this can be found than by comparing the present Republican position to that of 1900. Writing in *Forum* on "The Programme for Congress," Henry Litchfield West says:

"A 'billion dollar Congress,' which was once a political issue, is now accepted as a matter of necessity, to be neither criticized nor opposed. . . . The Republican Party is not a party of economy. It is always liberal in providing for the government; and though this liberality sometimes approaches the danger line of extravagance, there is no doubt that it is a wiser policy than the cheese-paring of the Democrats. Sustained by the verdict of November 6, the Republican leaders in Congress will feel justified in recommending large appropriations, and I look, therefore, for budgets of unequalled magnitude. Some of the more conservative party managers will undoubtedly suggest that the future must not be forgotten and that the day of reckoning will come. Their voices will be almost unheard amid the loud outcry for generous appropriations. An overflowing Treasury will invite expenditures on a mammoth scale; and the probability is that the invitation will be accepted.

"In the first session of the present, or Fifty-sixth, Congress, the total appropriations reached the enormous sum of $674,000,000 .... The amount appropriated for the army .... will soon reach unparalleled figures. It aggregated in the last session $80,000,000 or $30,000,000 less than the sum asked by the Secretary of War, and the probability is that at least $100,000,000 will be provided in the approaching session. The navy asked $74,000,000 and received $48,000,000, with the likelihood that $60,000,000 will be granted. . . .

"It would seem .... as if a part of the programme for the approaching short session of Congress would be the enactment of a law repealing emergency taxation; but I seriously doubt whether anything in the way of universal relief will be accomplished. In the first place, the elections are over, and ante-campaign promises may be forgotten; in the second place, the distribution of taxation was made with consummate wisdom, and the burden is borne by those most able to bear it, so that there is no emphatic protest due either to injustice or inability; and, last, the government will need all the money it can raise to meet the increasing expenditures. . . .

"When the House reassembles, it will proceed to the consideration of the oleomargarine bill, which provides for a tax of ten cents a pound upon that article when it is colored to represent butter, and one-fourth of one cent a pound if it is not so colored. Important interests are involved in this proposed law. The dairymen of the country are supporting it, while the stock raisers and beef packers are opposing it, oleomargarine being a by-product of the packing house."

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FORUM: *Should Aid Paroc*

YES!

By JOSEPH C. WILLIAMS

BEFORE beginning the argument, I should like to call your attention to the clear wording of the question at issue. It may be presumed that federal aid to schools in general is not under debate at this time; federal aid to public schools is, we may assume, implied in the question itself. Our problem becomes then, granted that the federal government should aid the public schools, should its helping hand also be extended to the parochial schools of the country? The only fair and impartial answer to this question is "yes."

Approximately 2,200,000 Catholic children attend Catholic grade schools in the United States today, and more than 500,000 are enrolled in Catholic high schools. The cost of their education is borne almost completely by the Catholic Church in cooperation with Catholic parents the country over. In addition, every Catholic taxpayer contributes his fair share to the country's great public school system. The more than two million children in the parochial schools are actually a minority of Catholic children, the majority of whom attend public grade schools. These facts merit earnest consideration; they are almost always overlooked in a discussion of parochial schools.

Another fact basic to our discussion is that parochial school education is generally accepted in this country as the equivalent of secular grade and high school education, and attendance in a parochial school satisfies compulsory schooling requirements. Parochial Catholic schools, like other private schools, are not limited to Catholics but are open to children of other religions.

Parochial schools, then, (1) are almost entirely supported by Catholics who also pay taxes toward public school maintenance; (2) the education offered is generally accepted as equal to public school training; (3) they are open to all children. It can be seen from this factual summary that the Catholic school plays an important part in the life of the American community.

But, it may be asked, why have parochial schools at all? What is their *special* role in American education? The general Protestant answer to this question is as biased as it is ignorant. The parochial school is *not* the first element in a plot of the Papacy to take over the United States. It is *not* connected with a mythical scheme whereby the Catholics will win to the Church the Protestant children of America. The parochial school is simply the Catholic answer to the continuing and increasing secularization of American education. It is established and maintained for those who believe that their children should learn about religion as well as about the three "R's".

Sincere men of intelligence cannot deny that the average church or Sunday school, with its voluntary one or two-hour lesson once a week, cannot even begin to give its pupils a real awareness of religious principles, traditions, and background. Yet in this great democracy, the public schools are virtually forbidden to introduce any kind of religious training into the curriculum. The majority of Protestant children, therefore, complete high school with only the vaguest notions of their religious background. The degradation of the Protestant Sunday school is only one consequence of the emphasis on secular education today.

The Catholic Church is aware of its responsibilities toward its own children, and consequently provides special schools for them, frankly designed to combat that secularization which characterizes the public schools. The parochial schools give their pupils the same grounding in secular subjects and, *in addition*, teach them the Catholic way of life. Surely a nation which prides itself on freedom of religion should find no fault with Catholic schools, as such!

[*Continued on page 102*]

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? Federal Government ' Schools?

NO!

By JAMES CARR

CONGRESS shall make no law respecting the establishment of religion or prohibiting the free exercise thereof. . . .

This, the first Amendment to the Constitution, has been since 1791 "the wall of separation between church and state" in the United States.

The words "respecting an establishment of" being somewhat ambiguous, we look to our historic tradition and to the courts for a clarification of the First Amendment. The complete separation of church and state has long been regarded as a cornerstone of American religious liberty. The first Amendment cannot be regarded as a simple prohibition on a single national religion because such an establishment was clearly an impossibility at the time of the constitution framing. Granted the imprecision of the wording, there is no arguing with the fundamental concept of separation of church and state on the federal level from the time of the First Amendment.

It is, of course, true that the First Amendment did not originally apply to the states. At the time of its adoption and for years afterward, various states recognized "established" churches in varying degrees. These established churches were European imports, but they did not flourish. By 1789, some of them had disappeared and the rest were steadily weakening.

After the Civil war, the interpretation of the Fourteenth Amendment made the First Amendment applicable to the states as well as to the federal government and thereafter no state could set up an established religion. By common consent and general agreement, the First Amendment has always been regarded as a prohibition on the government against the using of federal (or state) funds for helping any religious organization. Any religious group in the United States was and is entitled to set up its own organization and system of worship, and parents are entitled to send their children to private or sectarian schools (the *Pierce* case, 1925), instead of to public schools. These privileges are all part of the right to freedom of worship.

But until 1929, no state was entitled to use public funds to aid any private or church-connected school. In that year, in the *Louisiana Schoolbook* case, the Supreme Court ruled that the state of Louisiana was justified in providing public funds for textbooks in parochial schools as well as in public schools. This was the first breach in the "wall of separation." My opponent has cited others to prove his point. As the wall of separation between church and state has been weakened, pleas for public support of various church activities have become stronger.

These pleas have come for the most part from Roman Catholics who hope for state and federal financial aid for their Church schools. Because they are allowed to run these schools, they argue that they should be helped to support them. Non-Catholic America is being asked today to contribute to the support of the mainstay of the Catholic Church in America—the parochial school. As Mr. Justice Jackson observed (in his dissent in the *Everson* case):

> I should be surprised if any Catholic would deny that the parochial school is a vital, if not the most vital, part of the Roman Catholic Church. . . . Its growth and cohesion, discipline and loyalty, spring from its schools. Catholic education is the rock on which the whole structure rests, and to render tax aid to its church school is indistinguishable from rendering the same aid to the church itself. . . . The state cannot maintain a church and it can no more tax its citizens to furnish free carriage to those who attend a church. The prohibition against establishment of religion cannot be circumvented by a sub-

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From a more practical angle, the country should welcome the continuance of church-supported schools. According to estimates compiled by the United States Office of Education, the cost of *building* additional public schools to house the millions now attending elementary parochial schools would amount to more than $1,100,000,000. The annual saving in operating expenses borne by the Catholics amounts to more than $400 million!

Granted the value to Catholics of church-related schools, and the practical advantages accruing to Protestant taxpayers, there is no justification of federal discrimination against these schools if federal funds are to be used to aid the public schools. What is the justification for federal aid at all? To equalize the opportunities for education for every American child because, so the argument runs, every child in *every* state is an American citizen. Are not Catholic children Americans, too? Are not Catholics taxpayers, too? The largest burden of support of the parochial schools will always fall on the Church, just as the largest burden of the public schools must fall on the states. But if federal funds are to be apportioned to raise standards in poorer states, Catholics should benefit by the improvements, too!

WELFARE

Federal aid has never been justified, according to my knowledge, on the ground that this or that "poor" *state* deserves special help. Its sole justification has been and is the welfare of the children concerned, *all* the children. It is my contention that *every* school in the country which offers an acceptable educational program should be included in any federal aid benefit program. Discrimination against a particular group of schools merely because they are church-related is a clear violation of the First Amendment.

"Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. . . ."

The guarantee of religious freedom certainly presumes that no discrimination shall be made by Congress against any particular religion. Discrimination against innocent children is on the lowest level indeed!

Some readers will be surprised that I appeal to the First Amendment, since that much misquoted article is often used by those who oppose the parochial school. For this reason, let us inquire a little more closely into its original meaning.

The First Amendment was, of course, the act of the states and imposed an express and specific prohibition on the Congress of the United States. By its terms, Congress was forbidden to set up any church with the privileged status of a state church, whose officers would have special civil standing, or whose faith would have special civil recognition, or whose laws would be in any way norms for civil legislation.

Conversely, it was reserved to the States to decide by the political process the problems of religious establishments within their own jurisdictions. Now, because of the application of the Fourteenth Amendment, the United States citizen is also protected against a state "establishment of religion."

There is no historical evidence that the first Congress even considered the problem of governmental aid to education. For generations after the ratification of the First Amendment, the federal government aided religious schools, and still does so. Throughout our history, each state has considered itself bound by its own laws and only by its own laws on the question of aiding religious schools. By virtue of the Tenth Amendment guaranteeing the powers reserved to the states, the question of government aid to parochial schools must constitutionally be left to the states!

Because this is strictly a state affair, there is no legal justification for trying to limit federal aid to *public* schools. Such a federal limitation would in fact be unconstitutional, as well as unfair.

But prejudice and illogic in this matter run high and even the Supreme Court is not above it. Yet there is a group of cases that establishes the legal position of the parochial schools.

In the famous Oregon case, in 1924, the Supreme Court upheld the right of parents to educate their children in schools of their own choice. Since that time, there has been far more discussion over public welfare legislation enacted by various states and discrim-

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ination against some children excluded from welfare benefits. In the New Jersey bus case (the *Everson* case), the Supreme Court finally ruled that the state of New Jersey could authorize re-imbursement for transportation costs of parents whose children were attending either public schools *or other non-profit* schools. The legislation in question, according to the court, was public benefit legislation, designed to ensure safe transportation for school children of every faith. The direct and immediate benefit of the law was to the children and their parents.

In a similar transportation case in Kentucky, the State Court of Appeals analyzed the issue as follows:

> . . . . it cannot be said with any reason or consistency that tax legislation to provide our schoolchildren with safe transportation is not tax legislation for a public purpose. Neither can it be said that such legislation, or such taxation, is in aid of a church, or of a private, sectarian or parochial school, nor that it is other than what it designs and purports to be legislation for the health and safety of our children. The fact that in a strained and technical sense the school might derive an indirect benefit from the enactment, is not sufficient to defeat the declared purpose and the practical and wholesome effect of the law.

The Mississippi Supreme Court (upholding the law providing free textbooks in secular subjects for church-related schools as well as for public schools) declared:

> The state is under duty to ignore the child's creed but not its need. . . . The state which allows the pupil to subscribe to any religious creed should not, because of his exercise of this right, proscribe him from benefits common to all.

So far it seems clear that most courts have agreed on universal application of public welfare legislation. As Reinhold Niebuhr summed up the *Everson* decision:

> Some issues must be decided from the standpoint of the wisdom of the policy rather than legalistically. Since Catholics pay school taxes and tax themselves in addition to maintain their parochial schools, it would hardly seem too great a concession to permit the use of state school buses for their children. At any rate, the argument that this policy imperils democracy is a hysterical one. There is no other democracy in the world that does not go further in the use of state funds for religious instruction.

Recently, however, the Supreme Court has turned toward a radical secularism. Even in the *Everson* case, Mr. Justice Black established illogical and far-reaching anti-religious doctrines. He declared that the First Amendment prohibited both federal and state governments from enacting legislation to "aid one religion, aid all religions or prefer one religion to another." "No tax, in any amount, large or small, can be levied to support any religious activities or institutions. . . ."

McCOLLUM CASE

Because of these illogical and irrelevant statements, the opponents of the "released time" programs in various public schools were able to carry the *McCollum* case to the Supreme Court and succeeded in outlawing this growing program for religious education. According to the arrangements for "released time" in Champaign, Illinois, grade schools, classes in religious instruction were offered for pupils in grades four through nine. The Champaign Council of Religious Education, a voluntary association of representatives from Jewish, Protestant, and Catholic groups, was to bear the expense of furnishing qualified teachers, books, materials, and other supplies. Pupils were admitted to the classes only on the express written consent of their parents. The classes were held in the regular classrooms of the public schools during school hours subject to the approval and supervision of the public school Superintendent.

In view of Mr. Justice Black's dictum in the *Everson* case, his conclusion on "released time" was not hard to draw. Commenting on the "released time" system, he wrote:

". . . . the operation of the State's compulsory education system thus assists and is integrated with the program of religious instruction carried on by separate religious sects."

Allowing the children to spend school time in school rooms on sectarian instruction is "beyond all question a utilization of the tax-established and tax-supported public school system to aid religious groups to spread their faith."

This aid, in the light of the *Everson* deci-

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sion, Black found unconstitutional, and seven of his eight colleagues agreed. But Mr. Justice Jackson warned the Court in a concurring decision that the majority decision was too sweeping, and that the issues were far too complex for such a brief (three mimeographed pages), black-and-white decision.

Although the *McCollum* case may seem at first glance to be utterly irrelevant to this discussion, its implications for the future of both public and parochial schools are highly significant. No discussion of the relation of the government to parochial schools would be complete without a protest against the decision. If carried far enough, it will prevent even the mention of God's name in any public schools in the United States and will eventually outlaw the parochial schools altogether.

And on what grounds? Surely the right to *freedom* of worship implies no prohibition on worship; the right to *freedom* of religion carries no prohibition against religious instruction in the United States! In their zeal for secularization, the Justices of the Supreme Court have climbed out on a precarious limb. Previous court decisions, on the existence of parochial schools, on transportation to them, and text books for them, give the lie to their declarations on the "released time" program. So long as this decision governs the public schools, the need for church-connected schools is even more urgent.

Constitutionally and historically, the separation of State and Church is an insurance of religious freedom. It carries with it no express or implied restriction on the state to refrain from religion altogether. Because of the *McCollum* decision, authorities agree that Army and Navy Chaplainships are probably unconstitutional. On what reasonable grounds should our young men be deprived of religious solace during the hardest years of their lives? In the light of the *McCollum* decision, it would appear that neither the President of the United States nor the state governors can set aside a Day of Thanksgiving. Prayer can no longer be mentioned officially to the American people.

What mockery of our finest traditions is this? What insult to the memory of the Constitution framers, who appealed to the Lord for guidance and for courage?

Let us dismiss the *McCollum* case from this discussion because its decision is so un-American and anti-religious that it will not long stand. Let us remember only that long line of court decisions establishing the right of children to attend private and parochial as well as public schools. Let us think again of those decisions establishing the right of the states to distribute funds for child welfare through any schools the children attend.

In the light of these decisions, there can be no doubt that federal funds for child welfare should, nay, *must,* be distributed to as many of the nation's children as it is humanly possible to reach. In poorer sections of the United States, children need better teachers, better textbooks, newer buildings, and other essentials, for their own welfare and that of the country. These needs are felt in public schools and in church-related schools. The federal government's funds are contributed by parents of church-related schoolchildren as well as by parents of public school children. When all contribute, all should benefit.

We must be extremely wary of a program for federal aid limited to public schools for more than one reason. One of the gravest dangers of federal aid is the possibility of federal control of education. Such control would be far easier to establish in the nation's public schools than in the parochial schools. If control is not a hidden purpose of the program, there can be no valid reason for excluding the church-controlled schools.

None of these schools should ever be singled out for *special* approval or *special* privileges. By the same token, the increasingly atheistic public schools should receive no special benefits. Worship of the Three "R's" must not become the "established religion" of the United States.

In conclusion, an aside. It is amazing to non-Protestants that for most Protestants "non-sectarian" means, simply "Protestant;" freedom of religion means freedom to choose among their sects, and tolerance means agreement on the Protestant interpretation of the Bible. At least until the *McCollum* case, it was generally accepted that the public schools could include recital of the Protestant version of the Lord's Prayer in their curriculum and that public school teachers could have their classes recite the Psalms and, in

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most localities, sing sacred music. If this Protestantism has been the generally accepted pattern of American *public* school education, there is no possible objection to other religious education in other schools, Catholic, Jewish, or Mohammedan in our free, democratic country.

Ten per cent of the children of the United States attend parochial schools. Discrimination against these young Americans because of their religious beliefs is a clear violation of the First Amendment. If the federal government is going to distribute funds for child welfare, these children should benefit proportionally.

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sidy, bonus, or reimbursement of expense to individuals for receiving religious instruction and indoctrination.

It is my position that the indirect state aid recently given church-connected schools by furnishing their students with textbooks and transportation is an unconstitutional violation of the First Amendment. Federal aid to parochial schools is an even clearer and even more dangerous attempt to break down the separation between church and state in the United States.

SEPARATION

My opponent implies that only prejudice against the Roman Catholics and ignorance concerning the parochial schools leads me to take this stand. Now, there can be no possible doubt that according to the official doctrine of the Roman Church no separation between church and state is desirable. According to this doctrine, state recognition of the "one true church" is the goal toward which the Church must work. Genuine religious tolerance is based on the belief that dissenters may find God or Truth in their own way. This premise the Roman Church denies. Its authoritarian stand is fundamentally anti-democratic and, in the last analysis, anti-American. Its schools are an expression of its doctrine. Within their walls, even the three "R's" are taught from the Catholic viewpoint!

In the United States, the Roman Catholic Church is free to exercise authoritarian control over its members, although it would not recognize similar freedom for other churches if it could prevent it. In the United States, parents are free to send their children, at their own expense, to church schools, if they choose to give them a genuinely Catholic education. They are equally free to take advantage of the public schools to procure a free education for their children. This is the essence of democracy; this factor of complete free choice is always overlooked by the parochial school adherents. Not content with the choice that is theirs, they ask non-Catholic America to finance their most useful agency for disseminating religious instruction and for strengthening their church.

Within the walls of the parochial schools, Catholic children develop no tolerance toward children of other religions. They meet neither Protestants, atheists, nor Jews and their notions of the heretic are vague and unflattering. Tolerance cannot be taught; it must be lived. American children become tolerant through their contacts with those of varying races, nationalities and faiths, not through their separation from them.

Yet separation of various faiths and national groups will begin in earnest once federal aid is extended to private and parochial schools. If the Catholic schools receive government help, other religious groups will establish their own schools expecting similar aid. Foreign language schools which meet compulsory education requirements will be entitled to public support. Today, the public schools of the country provide a melting pot for all American children, a place where they meet those of other faiths and races, and where those of foreign extraction learn American ways. Tomorrow, should they become only the shelter for those small groups who lack funds to establish separate schools? This would be disastrous for American democracy as well as for the public schools of America.

The growing *secularization* of our educational system is not nearly so significant as the tendency toward narrow sectarianism, a

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tendency which will flower if the federal government extends aid to parochial or private schools. The answer to the Negro problem is not separate Negro schools; the answer to the Jewish problem is not separate Jewish schools; the answer to the secularization of our culture is not separate religious schools for every sect in the United States. And short of that goal, there is no democratic justification for state maintenance of separate Catholic schools.

PARENTAL DUTY

One suspects that the Catholic Church's concern for secularization stems partly from a desire to secure federal funds for its own schools. Nonetheless, religious people of every sect should be concerned about the growing materialism of American life. The answer, however, does not lie in state support for religious schools, nor in public school teaching of religion, nor in some version of a "released time" system. The family and the church must accept some of the responsibility they now wish to dump on the schools of America. Traditionally, American schools have concerned themselves with secular subjects only. In a democratic country of diverse religions, the reasons for this tradition are good and sufficient. As my opponent points out, too often Protestants are satisfied to have religious training introduced into the schools —if such training is Protestant. This is neither democratic nor fair. It seems evident to me that the traditional public school attitude toward religion must be continued in the United States. It seems equally evident that the family and the church must return to their responsibilities as the religious and moral forces in the life of America's children.

If their acceptance of this responsibility, so clearly recognized today by the Roman Catholic Church, leads them to establish sectarian schools, they are free to do so, at their own expense. Such schools, we may hope, will supplement rather than supplant the American public schools, but in no case will they be entitled to public school funds.

Taxes are levied on the people of the United States for their common welfare. If and when such taxes are used for education, their use is justified if they will strengthen the United States and enhance democracy. Federal aid for *public* schools is justifiable only if public schools make a contribution to the education of young citizens. That they do, by providing American children with the fundamentals of literacy and by establishing healthy centers for the meeting of various groups with varying beliefs. Obviously, parochial schools have a different fundamental aim; they place religious teaching above the fundamentals of citizenship. Their only claim for support is based on the Church for which they work.

The constitutional guarantee of religious liberty is amply met when the state permits parochial or private education instead of public. Any further aid to parochial schools would constitute a violation of the First Amendment. There is thus no legal, moral, or educational justification for federal aid to parochial schools.

Opportunity merely knocks—temptation kicks the door in.

Pathfinder

Some time ago, Father Edmond Ryan, a Maryknoll Missioner from Massachusetts, was assigned to Yokkaichi, Japan. He was the first resident priest ever to go there and he didn't expect to be too well received.

But the Mayor and most of the townspeople turned out to welcome him with handshakes and even cheers. They assured him that they knew all about Catholic clergymen. They had seen Bing Crosby in *Going My Way* and Gregory Peck in *The Keys of the Kingdom.*

Catholic Digest

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THE STEEL PROBLEM

IS the government going into the steel business? This question was on the lips of a puzzled nation after President Truman's State of the Union message to Congress on January 5. Of his eight recommendations to Congress the last called for legislation:

> To authorize an immediate study of the adequacy of production facilities for materials in critically short supply, such as steel; and, if found necessary, to authorize government loans for the expansion of production facilities to relieve such shortages, and to authorize the construction of such facilities directly if action by private industry fails to meet our needs.

The shortage of steel which has existed since the beginning of the war, lies at the base of a whole series of other post-war shortages —housing, freight cars, petroleum equipment, automobiles. And, at the base of the steel shortage, lies the scarcity of raw materials (coal, fuel, iron ore, and the most important, scrap), limited production facilities, and an unprecedented post-war demand.

With the scarcity, a gray market developed. In order to secure steel, smaller purchasers had to pay a premium price to warehousemen. Congress received thousands of complaints from those who were unable to meet gray market prices, and from small manufacturers who were being forced out of business because steel companies withdrew shipments from certain areas where high freight costs made it uneconomical to operate.

In reply, the Senate's Special Committee on Small Business under Kenneth Wherry, of Nebraska, formed a Steel Subcommittee to investigate supply and distribution problems in the industry.

The Steel Subcommittee under Edward Martin, of Pennsylvania, began its studies in April, 1947. Field hearings were conducted, spot surveys were made by the committee staff, and research material accumulated. For over a period of six months, hearings were held by the full committee, composed of Senators Harry P. Cain, of Washington, Irving M. Ives, of New York, Allen J. Ellender, of Louisiana, and Spessard L. Holland, of Florida.

The Steel Subcommittee made an Interim Report on January 16, 1948, to the full committee, and on the basis of the report, the Senate Special Small Business Committee held further hearings in an effort to answer the complaints of numerous small steel purchasers.

All the hearings exposed the same basic problem—there is not enough steel to go round. With the large government purchases for European recovery and military preparedness programs increasing and in effect receiving top priority, the prospects of the small steel user appeared to be increasingly gloomy.

In the light of Mr. Truman's proposal, it is interesting to note the testimony of Mr. Tom Girdler, the chairman of the board of Republic Steel Corporation:

> . . . . Increasing the nation's steel capacity by 10 million net tons would require the diversion of 1,500,000 tons of finished steel from present production to build the new furnaces, mills, and other facilities. . . . It would be at least two years before we could produce any additional tonnage, and it is my opinion that by that time the present excessive demand for steel will have been met. . . . Under today's high construction costs, the capitalization required to increase Republic's capacity by a million tons would force the price of steel produced by the new facilities from $15 to $20 a ton higher.

Opposed to this view is the well-known economist, Mr. Louis H. Bean. He submitted to the Subcommittee numerous studies on the amount of steel production required to maintain full employment and a high level of industrial prosperity. His figures seem to indicate that the employment of 58 million persons in civilian jobs would require steel output of

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100 million tons annually. Steel output in 1948 was 88.5 million tons.

In reading the report, it is necessary to bear in mind that the studies were made a year ago and a few changes have since been carried through. For instance, a freight car program has had some success and an Industry Advisory Committee was set up to advise the Secretary of Commerce on the impact of steel exports on the domestic economy. However, as testimony in June, 1948, revealed, the advisory committee deals chiefly with the demands of the Army, Navy, maritime, and European recovery programs.

The Senate Small Business Committee called in a group of 12 representatives of the steel industry in late May and June to discuss a possible industry committee to look after the interests of the small purchaser. No conclusive decisions were made, and the steel leaders held that the matter was one of individual company policy. At these meetings, progress in controlling the gray market was reported, but underlying all the discussion was the fact that steel and raw materials are still scarce; few customers are satisfied.

At the present writing, the final report of Senator Martin's Steel Subcommittee is in preparation. With President Truman's proposal in mind, *Forum* presents below excerpts from the subcommittee's Interim Report of 1947 on Steel Supply and Distribution.

COMMITTEE REPORT

Steel is the basic commodity of our economy—and of the world's economy. No other material is of such value in the construction and reconstruction of the world's commerce and trade. The job opportunity of every worker, the market for every farmer, the success of every businessman depends, in some degree, upon the production of steel. We cannot have prosperity today unless we have enough steel to make that prosperity possible.

The designation of the Steel Subcommittee of the Senate Small Business Committee was brought about by numerous complaints received from many smaller segments of the steel industry. Small fabricators, manufacturers, and those in similar status in the steel-producing and using industries had flooded the committee with complaints for several months previous to the opening of hearings.

As hearings progressed, and the subcommittee's investigation came to the attention of the public, the number of complaints increased; and from them and the hearings it was possible to develop a pattern of the principal problems which the subcommittee felt should be thoroughly investigated. These objectives are classified under the following headings:

1. The historical quota system of steel distribution;
2. The "gray market" in steel;
3. Vertical and horizontal integration in the steel industry;
4. Exports of steel;
5. Possibilities of recovering steel scrap; and
6. Steel production and capacity.

This report will deal with these six subjects, as they were brought out in the testimony, and as they appear today in the light of recent developments.

At the time government controls and steel allocations were lifted in October, 1945, with the exception of some minor priorities, an agreement was reached with the steel industry by the War Production Board that the steel mills would continue to supply manufacturers of steel products in the same degree supplied them in the base period 1939 to 1941. Unfortunately, the various considerations of this original agreement were verbal and may only be traced in minutes of Industry Advisory Committee meetings with the War Production Board.

However, the subcommittee has a copy of a letter written by John D. Small, Administrator of the successor Agency, C.P.A., on November 20, 1946, in which the substance of the agreement is recounted. The following excerpt is of particular interest to the subcommittee's investigation:

> . . . . after consultation between the War Production Board and the steel industry it was decided that a satisfactory distribution system could be established on a voluntary basis by the steel industry with a minimum of guidance by the government.
>
> The method of distribution adopted was the "historical quota plan" of the steel industry. It was understood, of course, that

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> the plan was to be modified to take care of newcomers, veterans, needs of the military agencies, and by government action to break bottlenecks, to assist businesses, *especially small businesses,* to maintain minimum economic levels of production, and to meet requirements for the public health and safety, and to aid war-devasted areas. The quota plan could work only if priority assistance, whether formal or informal, was held to a small fraction of total production, since interference with mill scheduling always reduces over-all production of steel. [Italics added.]

Constant reference is made in the minutes of Industry Advisory Committees, dating back to early 1946, that the steel industry should not withdraw from established areas of distribution, nor would it shift its product pattern to any marked degree. Complete confidence in accomplishing production and distribution objectives free of any mandatory regulation was repeatedly expressed by the industry.

A still further agreement was reached between the Housing Expediter's Office and the steel industry, on February 20 of 1947, whereby priorities established by the Patman Housing Act were waived on consideration that the steel industry would meet the needs of the housing program and provide steel for critical production.

Evidence taken by the subcommittee shows that many old customers are not being taken care of on the basis of their historical use; some newcomers are being ignored by the industry, while others are being supplied; small business, old or new, is not being assisted to maintain a minimum economic level of production; some steel producers have withdrawn distribution from certain areas, leaving the others unwilling or unable to take up the slack; some other mills have found it impossible to take on new customers or have failed to assume any responsibility to serve the old customers of facilities they have absorbed.

Joseph Markel, president, Markel Electric Products Company, Buffalo, New York, manufacturer of lighting fixtures and in business for 40 years, found at the termination of his war work that his normal suppliers were unable to accept his orders. Carnegie-Illinois stated that they could not take care of him until they had unloaded their backlog of rated orders; Jones & Laughlin, which he claimed should have served him on a traditional basis, disclaimed the responsibility to serve the old customers of its newly purchased Otis Steel plant; Bethlehem was supplying him small tonnage, but with no assurance of delivery. Because of the low sale price of his products, he cannot afford to purchase steel on the gray market, and was attempting, at the time of his testimony, to make scrap deals with the mills, and to purchase surplus materials from W.A.A.

The hollow metal door and sash industry, participants in the housing program and on the critical housing list, reported to the subcommittee that its membership was receiving only 25 to 50 per cent of its requirements under the housing program, and many members were entirely without sources of steel. This was due also in part, so it was claimed, to withdrawal of some steel producers from the New York area.

The Stangard-Dickerson Corporation, of Newark, New Jersey, manufacturers of refrigeration equipment, had no pre-war historical base with a supplying mill, due to a war-time merger and expansion, and was unable to secure steel through normal channels. Through purchases of steel in odd lots and at exorbitant prices, the management has been able to keep functioning. At the time the company testified before the subcommittee, it had spent $65,000 in premiums on purchases of gray market steel. The circumstances of these gray market purchases will be discussed more fully under the following section.

Investigating an emergency situation calling for steel pipe for water wells and watering systems in the Midwest farm and ranch area, the subcommittee found that the situation had been aggravated by the withdrawal from distribution by one of the two producers of pipe, which had historically been the principal suppliers in that area. The supplier (the Spang-Chalfant Company, of Pittsburgh, Pennsylvania) stated that it was no longer profitable to absorb the freight differentials for shipments into the area, and would consider no temporary distribution arrangement. The company refused to sell f. o. b. because it would disturb its pricing schedules. Fortu-

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nately, the subcommittee was able to secure pipe from government surpluses, and from Lend-Lease stock piles which had been scheduled for Russia. This provided some relief for essential repair and replacement, but in no proportion to meet the need.

These are illustrative of hundreds of complaints received by the subcommittee. Small business is not the only complainant. The United Automobile Workers Union, C.I.O., presented to the subcommittee a statement that the automobile industry is receiving from 10 to 12 per cent less sheet and strip steel, in relation to production, than it did in pre-war 1940. There is more discussion of this under production and capacity.

Colonel Willard F. Rockwell, chairman of the board of the Rockwell Manufacturing Company, Pittsburgh, Pennsylvania, a large user of steel, stated that one of his plants had been cut off from steel through the purchase of the Otis steel plant by Jones & Laughlin and the resulting discontinuance of steel shipments to old customers of the Otis plant.

Nor has the subcommittee found that there has been any consistency in the steel industry's attitude toward the "historical quota plan," although all major companies were represented in the original agreement with W.P.B.

Testimony by Mr. A. J. Hazlett, vice president in charge of sales of Jones & Laughlin, on June 5 indicated that Jones & Laughlin were not following a rigid historical basis in furnishing steel to former customers, nor is his company allocating tonnage on any formula.

On the other hand, Mr. J. L. Block, of the Inland Steel Company, stated that his company has a fairly rigid formula, alloting steel to customers in relation to their purchases in the years 1939 and 1940. At the same time, Mr. Block admitted that the ratio of current allotment to past experience "varies according to circumstances."

Inconsistencies in distribution practices appeared throughout the testimony recorded by the subcommittees. Newcomers who had not operated during the base period, nor in fact had ever been in the steel business, were receiving steel directly from mills, or were entering into scrap or conversion deals with mills in order to supply their needs. Tonnage of steel intended for export has found its way into illegitimate channels in the hands of persons who have never exported nor manufactured. Priority steel has been delivered but not used for that purpose by the consignee.

These instances are mentioned not because all of them reflect directly upon the steel-producing industry, but because they demonstrate that channels of distribution are loosely policed, and that diversion of considerable tonnage is possible.

GRAY MARKET

The opportunities for gray market operations in a maze of loose distribution practices is obvious. The more loopholes, the more premium-price deals.

Early in the hearings, evidence was presented to the subcommittee substantiating the gray market in steel. To trace such negotiations to the source was, of course, a more difficult problem. The subcommittee has limited its efforts purposely to a few examples to expose the general mechanics of gray market transactions.

An excellent example of the subcommittee's efforts along this line was the case of the Stangard-Dickerson Corporation of Newark, New Jersey, which has been mentioned previously in this report. Lacking an historical base for steel and unable to purchase steel through normal channels, this company was forced to seek steel on the gray market. The firm paid as high as $240 per ton for steel which was then selling at the mill price of $90. One purchase of two carloads was part of a shipment made by the St. Louis Boiler and Equipment Company of St. Louis, Missouri, which company had been recently formed, had never manufactured steel products, and appeared to be only a broker.

Unable to sell seven carloads of steel to an eastern consignee, St. Louis Boiler and Equipment advertised it for sale in *The New York Times,* and it was purchased by smaller concerns in the vicinity of Hoboken, at exorbitant prices. St. Louis Boiler and Equipment was subpoenaed by the subcommittee and revealed that David L. Wilkoff Company, exporter of steel, located in Pittsburgh, was its source of supply. Wilkoff in turn had secured the steel from Inland Steel Company on a conversion deal whereby ingot had been furnished and

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Inland had rolled the steel. The steel was intended for export, but because of improper wrapping, it was claimed, was disposed of to the St. Louis firm at $160 per ton. Records of the St. Louis Boiler and Equipment Company indicate other steel transactions of a similar nature, differing slightly in detail, over a period of the past year and a half.

Mr. David Hillstrom, president and general manager of the Corry-Jamestown Corporation, Corry, Pennsylvania, which company furnishes employment for approximately 25 per cent of the town's population, testified that in 6 months his firm had paid $206,000 in prependent upon gray market steel.

Corry-Jamestown manufactures metal doors, sashes, and housing fixtures needed for the housing program. Its steel requirements had been normally supplied by (1) the Mahoning Valley Steel Company, which was purchased by the General Electric Company, and (2) the Otis Steel Company, of Cleveland, Ohio, whose old, established customers were left high and dry when it was purchased by Jones & Laughlin. Corry-Jamestown has been forced into the gray market in an effort to keep its doors open. The management has told the subcommittee that it would not be able to continue in business paying premium prices for steel.

While the subcommittee's gray market steel investigation in the East dealt to some extent with deals and swindles, investigation of a similar situation on the West coast revealed a cut-and-dried acceptance of gray market practices and prices.

A telegram which the subcommittee received from Don W. Vincent, production manager, Modern Refrigeration Works, Glendale, California, stated that he was paying $280 to $300 per ton for steel which would normally sell at the warehouse price of $110 per ton. Without the gray market steel, according to Mr. Vincent, users in the Los Angeles area would be entirely without steel.

An investigation and hearings were conducted by the subcommittee in Los Angeles on June 30, July 1 and 2, and in Seattle, Washington on July 3. Senator Harry P. Cain, of Washington, member of the subcommittee, officiated as acting chairman. These hearings revealed that Mr. Vincent's situation

Fitzpatrick in *The St. Louis Post Dispatch*
Spelling Out Slowdown

was typical of hundreds of smaller manufacturers in southern California and on the West coast in general, who find themselves with new and expanded businesses as a result of wartime contracts and priorities—and no steel. Lessened supplies are dribbling through from eastern mills, but for the most part manufacturers there are dependent upon dealers and brokers in steel who locate small tonnages and shift the sales among themselves, adding a layer of profit at each transaction. Prices for steel had reached a high of $500 to $600 per ton in Los Angeles.

Originally skeptical of the subcommittee's investigation of the gray market, as testimony before the subcommittee revealed case after case of tremendous losses to smaller business men unable to secure steel in any other way, the tone of comment in the press and in trade publications changed notably.

On June 5, Mr. A. J. Hazlett, vice president in charge of sales of Jones & Laughlin, had stated to the subcommittee "that the purported large quantities of black market steel are largely a myth."

On July 10, an article appeared in *Iron Age*, which estimated that $200 was an average premium price for gray market steel and that buyers forced into the market were pay-

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ing a quarter billion dollars above mill prices on an estimated 2,000,000 tons of steel involved in an active gray market.

Mr. Frank B. Nichols, president, Nichols Wire and Steel Company, Davenport, Iowa, who testified before the subcommittee on July 22 and strongly recommended that the industry be taken to task for not policing such activity, made these remarks regarding the Iron Age article:

> *Iron Age* estimates 2,000 000 tons in a conservative guess as to the quantity of steel involved. I cannot see see how steel management can make the claim that they are powerless to control such a large tonnage. If the steel industry had to refund the difference between their published prices and the black market prices on 2,000,000 tons, does anyone imagine that there would be 2,000,000 black tons available?

This subcommittee has not found the gray market a myth. Such operations thrive under conditions of shortage and distribution methods which have not been surveyed in the light of post-war needs and uses. The spotlight of public interest and opinion has been the most effective weapon in the hands of the subcommittees to draw attention to the illegitimate deals. Through publication of names and cases it is believed the subcommittee has effected some discouragement of swindles and "con" deals so strongly in evidence on the fringe of the industry a few months ago. Also, as a result, the small businessman has been put on notice as to the means and methods used in such operations.

However, the subcommittee is not under the impression that the gray market has been eliminated. Despite the subcommittee's efforts, the gray market still flourishes and has, if anything, become better organized. It is clearly the responsibility of the steel industry to take steps to wipe out such activity and to assure the return of such tonnages to normal channels of trade.

In addition to some steel mills withdrawing their distribution from areas previously served and refusing to ship steel where it is needed, the subcommittee has investigated other evidences of disruption to normal channels of supply marked by growths in horizontal and vertical integrations in the steel-producing industry. There is no question but that smaller steel producers and users are being forced out of business and their facilities either scrapped or taken over by the larger integrated companies.

The Federal Trade Commission has worked closely with the subcommittee on this phase of its investigation. Testimony by Mr. Earl Graham, industrialist economist, of the Federal Trade Commission, on July 16, indicated that 32 non-integrated producers of sheet and strip steel may be forced out of the market unless they can obtain sheet bars from the semi-integrated producers. Mr. Graham also stated that there are 18 fully integrated steel producers in the United States, 64 semi-integrated steel producers, and around 82 non-integrated concerns. According to Mr. Graham's testimony, roughly 56 per cent of the capacity to make cold-rolled strip in 1945 was in the large company-integrated mills, whereas the smaller business semi-integrated and non-integrated concerns possessed the bulk of the capacity to produce the high-profit strip steel. The latter have to depend for the most part on the integrated mills for their raw steel.

WITHDRAWING PROBLEM

Effects of the purchase of the Otis steel mills, of Cleveland, Ohio, by the Jones & Laughlin Steel Corporation which has been mentioned before in this report, have been indicated repeatedly in testimony before the subcommittee.

Mr. Arthur Boehm, of the Boehm Pressed Steel Company, Cleveland, Ohio, told the subcommittee on May 29, that his sole mill source for 16-gage and heavier hot-rolled, pickled steel had been the Otis Steel Company of Cleveland, now a division of Jones & Laughlin. Since its purchase by Jones & Laughlin, Boehm's orders for steel have not been accepted and the production of the Otis plant is now reserved for Jones & Laughlin customers. Having no historical quota with other mills, Boehm closed his plant on the day he appeared before this subcommittee.

From testimony by Jones & Laughlin officials and also from other witnesses, it has been ascertained that Jones & Laughlin has converted, or plans to convert, the Otis plant to the production of steel-pipe tubing rather than sheet, and further that the Otis facility

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will not be returned to sheet production when it has served its purpose in the production of steel pipe for the highly lucrative domestic and export market.

Thus a normal supplier of steel has been removed from serving established customers who have not been absorbed by the new ownership—and who may not look to the return of that production to the area.

The purchase of the Otis plant also affected the supply of the Corry-Jamestown Company, of Corry, Pennsylvania, the Markel Electric Products, in Buffalo; and the Bossert Company in Utica, New York. There are undoubtedly many more.

Regardless of whether the integration movement is across the board or up and down in the steel industry, the results to the smaller businessman are equally devastating in the removal of his source of supply.

The purchase of steel-producing facilities by large manufacturers of steel products in order to assure themselves of a source of steel is another angle of the integration movement. As one example, the purchase of the Mahoning Valley Steel Company by General Electric Company, to assure Mahoning's full production for General Electric, has left such customers as the Corry-Jamestown Company dependent upon gray market steel.

Many complaints received by the subcommittee indicate that some of the integrated steel companies, which constitute the principal source of supply for crude, semifinished, and finished steel in this country, have refused to continue to supply old customers on the grounds that the steel is needed by the producer to take care of the requirements of his own wholly owned or controlled fabricating or manufacturing units.

The supply of basic materials to the smaller units of the steel industry is one of the vital points in the relations between the large integrated producers and the "small business" of the steel industry.

Colonel Rockwell of the Rockwell Manufacturing Company, in testimony referred to above, has outlined the logical consequences of the continued development of integration of steel-producing and manufacturing facilities. He speaks with the authority of an experienced and eminent industrialist, and his words quoted below should carry weight:

> It is obvious that, if the steel companies continue to enter into competition with their customers in the fabricating and in the steel-consuming manufacturing industries, we shall soon be competing with vertical trusts of the type which existed in Germany.
>
> When there is a slowing down of business, such steel companies will try to obtain business from the independent steel barrel manufacturers and other consumers [of steel]; but, when business is expanding rapidly, such customers will be faced with a refusal to supply steel at the very time when it is impossible to buy from other steel companies who are considerate enough to take care of their established customers.
>
> As far as we know, this is the first time in history that some steel companies have had a sustained demand, and, at the same time, been in competition with their customers. They have, therefore, cut off some established customers in order to build up their own business in the steel fabricating or steel consuming manufacturing industries.

One of the first complaints laid before the subcommittee was that of an independent steel erector, the Karl Koch Erecting Company, of the Bronx, New York. This company testified that they were unable to bid on the erection of government hospitals in New York State because the steel bids tendered by the only bidders, Carnegie-Illinois Steel Corporation and Bethlehem Steel Corporation provided not only for the furnishing of the steel but its fabrication and erection as well. Under the limitations of the bidding form, the independent was unable to bid, due to the fact that he could not furnish the steel for the erection services he would perform. This method of bidding made a difference in the cost of the government of $151,800 in the building of a veterans' hospital in Brooklyn, New York.

Mr. C. A. Johnson, general manager of sales, fabricated steel construction, Bethlehem Steel Corporation, stated in response to questioning by the subcommittees that his company would not bid on steel for these government hospitals unless they could secure the complete job, which would include fabrication and erec-

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tion. He also gave as his reason the need to keep the Bethlehem erection department busy.

As a result of these hearings, the subcommittee was able to secure for all the independent erectors a revision of the government bid form which would enable them to bid on the separate services on government construction, and require the integrated companies to bid, separately, on each service to be rendered.

EXPORTS

Very early in its investigation, the Steel Subcommittee became aware that increasing exports of steel products were aggravating conditions in the domestic economy. Complaints had been received from a number of smaller manufacturers and users who claimed that large exports of sheet steel were the root of their difficulty.

Exports of structural steel and plate are undoubtedly affecting the housing program and fulfillment of freight-car production. Independent oil producers have protested that large shipments of steel pipe abroad are making it impossible for them to develop new oil resources or expand oil or gas lines to supplement domestic supplies. Reports had reached the subcommittee that purchases for export account were supporting the steel gray market and that a highly lucrative South American trade was proving of great interest to steel producers.

An account of the subcommittee's investigation of the exports of steel must be considered as covering (1) the situation as it obtained prior to the expiration date of the Export Control Act (June 30, 1947), and (2) the situation as it has developed under the Second Decontrol Act of 1947, which has extended export controls and granted new export powers to the Secretary of Commerce.

Efforts to administer export controls under a fast-expiring authority were at a low ebb in the Department of Commerce in May, 1947, when the subcommittee began checking into export figures. Pressures were great from certain quarters for the discontinuance of controls as preferable to ineffective operation, and from other interests which were waiting for controls to expire in order to effect unlimited exports of steel.

In securing figures from the Bureau of Census on steel exports for the year 1946 and the three quarters of 1947, the subcommittee found that total exports are on the rise in 1947 over 1946, at a rate which will be an increase of 2,000,000 tons of steel products this year. This also represents about a million and a half more tons of steel than exported in the prewar years of 1938, when there was no shortage of steel and exports were unrestricted.

Exports of steel-mill products are leaving the United States this year at the rate of 7,000,000 tons, or 11.1 per cent of current production. At the half-year mark the figure was 6,500,000 tons, or 10.5 per cent of what it was then estimated production would be. At the three-quarter mark production of steel products is running at the yearly rate of 62,300,000 tons.

Exports of such critical products as sheet steel and steel pipe and tubing have doubled and trebled in 1946 and 1947 over shipments of those items in normal pre-war years.

During its preliminary investigation, the Steel Subcommittee was especially interested in shipments of sheet steel and steel pipe and the countries to which these shipments were being made. Census figures indicate that our prime country of export on most steel products, and especially of sheet steel, is Canada. Next in volume are such countries as Argentina, Brazil, Mexico, and Sweden and other nations not involved in war-rehabilitation projects. Only one country in the devastated areas of Europe—France—has been a major participant in current export trade.

In the case of steel pipe, Brazil, Argentina, Mexico, Venezuela, Colombia, and Russia have been the chief recipients. In the case of Venzuela and Colombia, investigation has shown that American oil firms are developing new oil resources in those countries, which accounts for large shipment of pipe. In the case of Russia, however, it is difficult to determine any reason for the shipment of 65,000 tons of critically short steel pipe and tubing to that country in 1946, shipments which continued at the rate of 20,926 tons in the first quarter of 1947. This situation was brought to the attention of the Bureau of Export Controls, Office of International Trade, Department of Commerce, by the subcommittee in May, 1947.

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Since that time it is noted that all shipments of steel products to Russia have been curtailed; steel-pipe shipments in particular were reduced to 1,056 tons by the third quarter of 1947. The subcommittee is heartily in accord with this move.

A recent report by the Department of Commerce on the first quarterly operation of the Second Decontrol of 1947, and also the Harriman report (the President's Committee on Foreign Aid), have given the impression that exports of steel are lessening. In the Harriman report under "D. Shipments of finished products" it is stated that ". . . . marked declines appear in the shares for shipbuilding and *for export*" [italics added]. The report on the Second Decontrol Act of 1947 shows total exports of steel at the third quarterly per cent of only 8.3 of production, by failing to show the large uncontrolled exports of steel to Canada. . . .

In 1948, however, the situation changed. In the first six months, steel exports fell to 2,457,400 tons, 26.5 per cent below the total for the same period of 1947.

In addition to exports of steel-mill products, the subcommittee is also interested in shipments of steel fabricated products which are going out of this country in large quantities. From January to June, 1947, 2,038,615 tons of fabricated steel products were exported, including such items as 122,414 electric refrigerators, 94,714 horse and power plows, 58,657 tractors, 152,039 new motor trucks and busses, 137,533 new passenger cars and chasses, and 33,924 railway freight cars of 10,000 tons capacity and over. This does not include 1,055 merchant vessels with an aggregate tonnage of 4,179,399 tons, containing probably not as high a content of steel as the other items mentioned, but somewhere in the neighborhood of 60 per cent steel and iron.

The Department of Commerce continues to exclude from its calculations a record of exports to Canada, which is the largest single receiver of exports of steel from the United States, for the reason there are *no controls over exports of steel or any other products to Canada.* This fact is due to what is called the Hyde Park agreement, a declaration between Prime Minister MacKenzie King and the late President Roosevelt made in 1941, for the purpose of coordinating war-time economies of the two nations. Its understandings were tacitly extended in memoranda exchanged between the countries in May, 1945.

The State Department has supplied the Steel Subcommittee with a memorandum purporting to explain the Hyde Park agreement, and copies of the recent memoranda of extension. After a careful examination of this document the subcommittee notes that it contains no agreement to guarantee the removal of export controls on shipments to Canada, that it was specifically intended for a war-time meshing of the economies of the two countries, and that its declarations were not intended to be continuous or irrevocable. The subcommittee also notes that Canada has never removed controls over its exports to the United States.

The Hyde Park material has been furnished the subcommittee in confidence and that confidence will be respected to the extent that the subcommittee deems necessary. There is no desire on the part of this committee to upset any amicable relations with our Canadian neighbors, nor to exercise the point more than it warrants. The fact remains, however, that the increase in steel shipments to Canada is marked. Comparing pre-war shipments with post-war: 409,279 tons of steel mill products were shipped to Canada in 1938; 786,135 tons in 1946; and steel products are being shipped to Canada at the yearly rate of over 1,000,000 tons at the end of the third quarter of 1947. This amounts to 17 per cent of total United States exports.

Although the Hyde Park agreement offers many assurances, there is no mechanism by which the United States may be sure that the steel-mill products being shipped to Canada are not in turn being re-exported by Canada.

It is known that experts of fabricated steel products by Canada have greatly increased. Sheet-steel shipments to Canada are unusually large, which means that steel products such as stoves, refrigerators, and hundreds of other products using steel, are being manufactured in Canada, rather than the steel going into our steel-fabricating industry. . . .

The subcommittee has referred the information on the Hyde Park agreement to the State Judiciary Committee, and to the Senate

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Foreign Relations Committee, with the recommendation that its terms and commitments be reviewed in the light of present-day economics in order to determine why export controls should not be put into effect between Canada and the United States, in the same manner and to the same extent as that decreed for other nations.

On May 23 officials of the Office of Export Controls of the Department of Commerce appeared before the Steel Subcommittee to describe the export controls then in effect. At that time it was found that certain short-supply steel items were not under control due to some extent to a lack of information by the Department of Commerce. In granting the consolidated licenses, then in effect, no control was maintained over the country of destination; relatively little policing was done in the qualifications or sources of supply of the export licensee; no knowledge was obtained of the end use of the steel products being shipped; and export quotas were elastic and variable, as determined by government-sponsored special projects.

At this time, the Steel Subcommittee was particularly interested in securing the extension of export controls, which were due to expire on June 30. Recognizing the pressures for the release of export controls when even stricter surveillance was demanded, Senator Edward Martin, chairman, went before the Senate Judiciary Committee on June 17 to urge the extension of controls and more effective licensing procedure.

The subcommittee had brought to the attention of the Department of Commerce the need for placing all short-supply steel items under export control; for designating destination and end use of steel products shipped in export; and the necessity for establishing effective requirements for determining license applications. The Office of Export Control had, for a period of time, issued export licenses without requiring a check upon the applicant, his operations, or his sources of supply. This had resulted, the subcommittee found, in considerable discrimination between applicants and in widespread peddling of export licenses in the trade.

On July 15, export controls were extended until February 29, 1948, under the terms of the Second Decontrol Act of 1947. As Public Law 188, the act proposes (1) to protect the domestic economy from injury which would result from adverse distribution of materials which continue in short supply; (2) to promote production in the United States by assisting in the expansion and maintenance of production in foreign countries of materials critically needed in the United States; (3) to make available to countries in need, consistent with the foreign policy of the United States, those commodities whose unrestricted export to all destinations would not be appropriate; and (4) to aid in carrying out the foreign policy of the United States.

Further provisions include a priority authority to require the production and export of certain materials, including steel, upon certification by the State Department, and vests in the Secretary of Commerce, alone, the power to approve or disapprove such export priorities and controls.

The Steel Subcommittee has brought to the attention of the Secretary of Commerce that the first declaration of policy in the law is that the domestic economy of the United States must be protected from injury which would result from adverse distribution of short-supply materials.

At the present moment, the Secretary of Commerce has the legal authority to set any export quotas which he deems expedient. At the same time, he has established no administrative machinery whereby the advice of industry is sought in the establishment of such quotas, nor has the Department of Commerce made a survey of steel requirements at the various levels of the domestic economy. With respect to establishing industry advisory groups to advise the Department of Commerce upon the establishment of export quotas, the Steel Subcommittee has made strong recommendations to the Assistant Secretary of Commerce, David E. K. Bruce on this score, and has held meetings with a view to establishing such procedures.

In the opinion of the subcommittee it is a matter of urgent importance that (1) the Department of Commerce undertake a thorough survey of domestic requirements for steel products at all levels of the economy, and (2) that the Department of Commerce estab-

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lish an effective system of industry advisory groups in order that the Department may be advised at all times regarding the impact of exports upon the domestic economy.

According to the advice of former War Production Board and Civilian Production Administration officials, and from the Office of Materials Distribution in the Department of Commerce, the last study made of domestic steel requirements was made by the War Production Board during early war years. The Harriman Report frankly admits that it is unable to discuss probable exports of finished steel products for the European recovery plan because it did not have a break-down of domestic requirements.

On July 17, the Under Secretary of Commerce, William C. Foster, appeared before the Steel Subcommittee to describe the new plans within the Department of Commerce for the strengthening of controls over exports of steel, which plans grew out of the suggestions made by the Steel Subcommittee.

He said in part:

> We have withdrawn steel plate, sheet, and pipe from the consolidated license and established individual licenses for these products, thus controlling the country destination and to a greater extent the end use of these products when shipped abroad. We have returned to export control seamless pipe and tubing and we have imposed the individual rather than the consolidated license on these products. In addition, we are currently approving the exportation of pipe and tubing materials only for essential petroleum uses abroad. In addition, we have subjected the proposed third quarter quota for the exports of steel products to the severest scrutiny and arrived at our determinations as to the appropriate level of exports only after weighing the urgency of foreign need against the severity of our domestic requirements. (Editor's note: The per cent of steel exports controlled and uncontrolled rose from 10.5 to 11.1 between the second and third quarter). There will be severe shortages of steel throughout the world for many months to come and we seek to approve only such exports as will alleviate the severest hardship abroad. We cannot hope to spare enough steel to meet all urgent needs.

According to Mr. Foster's statement, many of the subcommittee's recommendations had been carried out, and further assurances were given in testimony that beginning with the fourth quarter, when the new licensing procedures would go into effect, firm quotas for steel would be set and no ex-quota "special projects" for steel would be granted.

SAUDI ARABIA

In September the subcommittee received information that the Secretary of Commerce was about to issue an export license for 40,000 tons of steel pipe to begin construction of a pipe line across Saudi Arabia, that this license was only the fourth-quarter allotment for the project, which would require a total of 480,000 tons of steel.

Senator Kenneth S. Wherry, chairman of the full committee, protested this action to Secretary of Commerce Harriman, and in reply received the answer that only 20,000 tons were being granted the Trans-Arabian Pipe Line Company for the fourth quarter. However, subsequent conversation with the Secretary of Commerce and formal testimony from him has elicited the information that the full 480,000 tons of steel have been authorized and will be licensed.

The story of the Saudi Arabian pipe deal and its investigation by both the Steel Subcommittee and the Oil Subcommittee will be reported in a separate report.

The reference to the incident is of importance in this report in that it demonstrates that the Secretary of Commerce (in collaboration with the State Department) intends to use his exclusive authority to grant export licenses in excess of established quotas. The Secretary's attitude before this committee indicates that his concern for the impact of such exports upon the domestic economy of the United States is secondary to foreign policy needs, as represented by the State Department.

For example, quota figures which have been furnished the subcommittee for the first, second, third, and fourth quarters of 1947 indicate that quotas for welded oil-line pipe have not exceeded 30,000 tons per quarter. Obviously, a single license to one company for 20,000 could not be accommodated within the quota, but would have to be added to it. As will be shown in the forthcoming Saudi Arabian Pipe Line Report, the Secretary of

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Commerce overrode the advice and counsel of his own Office of International Trade and some other Government agencies in making such a decision.

The Steel subcommittee intends to continue its close check upon export quotas, export licenses, and "special projects" issued by the Department of Commerce and will protest in public hearing the issuance of licenses for steel pipe and all other short-supply steel products which are not accomodated within export quotas that, in turn, have some basis of reality in relation to domestic requirements.

STEEL SCRAP

The legend of the battle that was lost because of the lack of a nail for the horse's shoe, may well apply to the shortage of scrap for the production of steel today. The corroded flat iron or golf club, the metal shaving from a lathe, the wrecked auto in the junk yard, is the vital raw material which can be transmuted into steel and castings for a brighter tomorrow.

One-half of the metallics used by steel mills and foundries to make new iron and steel products is scrap. In turn, one-half of this scrap, or "home scrap" originates within the steel mills and foundries in the various stages of manufacture. The other half, or one-quarter of the total metallics necessary to produce steel is "purchased" or open-market scrap with which this section of the report is primarily concerned.

Steel mills of the United States have an annual rated capacity of nearly 92,000,000 net tons of ingots from which finished steel products are rolled. In addition, the steel, iron, and malleable foundries, which make castings have a combined annual capacity to make a minimum of 16,000,000 net tons. Thus total annual rated capacity of the steel industry, plus that of the steel, iron, and malleable foundries approximates 108,000,000 net ingot tons.

The total metallics requirements for this capacity, allowing for conversion losses, would run to 119,000,000 tons of metallics. Of this total requirement, blast furnaces producing pig iron account for approximately 66,000,000 tons, which leaves the remaining metallic requirement of 53,000,000 tons to come from scrap.

The steel, foundry, and scrap industries estimate that 26,500,000 net tons, or 25,000,000 gross tons of "purchased" scrap per year are needed to attain full annual rated production capacities of the affected industries.

Testimony was given before the subcommittee by Walter S. Tower, president of the American Iron and Steel Institute, on July 9, to the effect that about 7,000,000 tons of steel-making rated capacity is currently idle, one of the reasons for which is the present inadequate supply of scrap and the poor quality of that received.

Plans of the steel industry to pull up its ingot-making production by 2,500,000 tons within the next year and a half (to be discussed more fully in the next section) will be seriously affected by its ability to secure good quality scrap.

Furthermore, it must be borne in mind that *each ton of scrap used saves approximately 3½ tons of our natural resources.* One ton of scrap is the metallic equivalent of 1 ton of pig iron. But to make 1 ton of pig iron requires 2 tons of iron ore, 1 ton of high-quality coking coal, and one-half ton of other natural resources. Every ton of scrap used saves not only other precious minerals but relieves the strain on transportation facilities that must bring these ingredients to the smelter.

The basic underlying causes for our present critical scrap situation are not difficult to find.

First, the national reservoir of scrap was drained during the war. It had not had time to fill up. During and since the war the rate at which many items manufactured from iron and steel have been scrapped has declined sharply due to unavailability of replacements or the tremendous need for such items in any condition.

From 1934 through 1940 more than 20,000,000 tons of scrap were shipped to foreign countries, largely to Japan.

Another serious drain upon the nation's resources of potential scrap was the shipment abroad of an estimated 123,800,000 tons of steel during the war, which has been irretrievably lost in combat or through the disposal abroad of surplus military equipment.

These losses of potential scrap represent

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about six years' supply of purchased scrap for the steel industry, operating at peak rates.

The current situation is particularly critical because consumption of purchased scrap at approximately *2,200,000 gross tons per month,* according to latest United States Bureau of Mines figures, is at a record-breaking level.

At the same time, current visible stocks of scrap in the hands of both consumers and dealers are the lowest on record. The United States Bureau of Mines estimates that, as of August 31, 1947, stocks of iron and steel scrap totaled 4,470,200 tons. A current figure given by Robert W. Wolcott, chairman of the Steel, Foundry, and Scrap Industries Committee for Expediting Iron and Steel Scrap, places the figure at nearer 2,100,000 today, or only one month's supply of scrap. Normal scrap stock in pre-war years was around 7,750,000 tons, when the industry was producing only about one-half the steel it is today.

Turning its attention to sources of iron and steel scrap, the Steel Subcommittee has discussed possibilities with Robert W. Wolcott, mentioned above, and with representatives of the Army, Navy, Maritime Commission, the former Office of War Mobilization and Reconversion, and the Office of the Assistant to the President.

The subcommittee's hearings with Mr. Wolcott and with the various government agencies took place on July 18. Since that time, however, the subcommittee has continued its investigation and study of the scrap situation and has reached the conclusion that a concerted and immediate effort must be made to recover scrap from government installations and storage depots, and to alert the nation to the need for wiping aside red tape in achieving such a program.

Without a scrap program there will be continued steel shortages in the domestic economy, and without a scrap program there will be no European recovery, which depends in the final analysis upon the availability of steel.

The largest and most accessible sources of scrap to supplement commercial collections, are under the control of the United States Government. They include:

1. Surplus military and industrial equipment in the United States under the control of the armed services, which is obsolete and unserviceable and either has not been declared surplus, or has been declared and its determination or sale as scrap by the owning agency has been delayed by inter-agency procedures.

2. Surplus machine tools, industrial machinery and equipment which is stored in War Assets Administration warehouses and is nominally for sale, but which could be quickly determined as scrap under a realistic and informed disposal program.

3. Damaged and obsolete Navy and Maritime vessels.

4. So-called Army-generated scrap, consisting of materials and equipment of United States war-time origin, which is under Army control in Europe and for the most part under Navy control in the Pacific, and which is moving slowly.

While it is interesting for the record, it is not particularly objective for this report to go into detail on the various efforts and policies which have been followed by the military departments in the recovery of scrap from the various theaters of war. The Army has been returning small quantities of ferrous scrap from overseas theaters almost from the start of the war. At the end of 1946, the Army initiated a program of disposing of scrap solely to purchasers who would agree to return it to the United States. This is in effect at the present time.

CANTERBURY CASE

The case of the Canterbury Corporation, for instance, has engaged the attention of committee investigators. This company, about which very little is known, has secured a contract from the Army for the return of 147,000 tons of scrap from Germany at the rate of $7.50 per ton. Offers of $20 per ton were received for disposal of the scrap on the European continent. The Canterbury Corporation paid $1,113,305.50 in cash for the contract, which stipulates that the scrap must be transported from Germany to the United States. At the time the committee heard of the case, the Canterbury Corporation was reported to be removing scrap from Germany to Italy, where it was being converted at the Turin factory of the Fiat Motor Company.

The committee reported this information to

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the War Department, and orders have been issued that not more than 25,000 tons of Canterbury scrap will be allowed to go into Italy and that processing and shipment must go forward in accordance with the contract, or the full amount of the contract will be forfeited. The latest information from the War Department is that Italy is making a plea for the Canterbury scrap on the grounds of need and on the strength of Marshall plans.

Colonel S. M. Pool, Jr., General Staff Corps, War Department, in charge of disposal of overseas scrap supplies, has estimated that in addition to the 165,000 tons of scrap, out of Austria and Germany, currently under contract to private concerns, there are 200,000 tons which will be available from Europe within the next 12 months. Another 10,000 tons are expected out of Berlin, and an estimated 44,000 tons are beginning to move back to the States from Hawaii.

The subcommittee is interested in these relatively small tonnages of scrap for the effect which they may have upon abnormally high scrap prices in this country. Iron and steel scrap is selling in the open market at from $40 to $55 per ton at this time. However, if the scrap is returned in small lots that can be absorbed easily, the effect of this return, pricewise, may be dissipated.

The Navy has reported no appreciable quantities of scrap still to be recovered from the Pacific theater. Nonferrous scrap has been collected and returned long since. Ferrous scrap, for the most part not profitable to return, has been absorbed by the economies of the islands.

Since V-J Day, the Foreign Liquidation Commission has declared bulk sales of scrap and salvage to foreign governments in many areas. There have been 30 bulk-sales agreements completed by the Commission, and the majority of them included scrap and salvage. This was particularly true in the bulk sales to the Philippines and to China, which included the property on many of the Pacific islands. Bulk property sales, which included scrap, have also been made to England, France, Belgium, French North and West Africa, Egypt, and India.

The Navy and the Maritime Commission have sources of scrap in obsolete vessels and those deemed unsuited for restoration or repair. The possibility of the Maritime Commission scrapping more Liberty ships has been suggested to the subcommittee, but such a policy decision by the Commission would seem to rest upon a number of considerations. There are 1,500 Liberty ships now in the possession of the Commission; each Liberty ship weighs approximately 10,000 tons, and the steel scrap recovery on each vessel would approximate 90 per cent of tonnage, so the subcommittee has been told. These war-time cargo vessels, built at the sacrifice of speed and design, are considered obsolete in world trade.

The subcommittee has been advised of the efforts by the Assistant to the President, John R. Steelman, to encourage greater recovery of steel scrap by government agencies. Mr. Steelman has sought to establish yearly scrap quotas for the Departments of the Army and the Navy, the Maritime Commission, and the W. A. A.

A quota of 1,250,000 tons of iron and steel scrap was set for these agencies in March, 1947, for the remaining 10 months of the year. By August of 1947 the agencies had recovered 1,044,000 tons, and it is estimated they will exceed their goal to a total of 1,894,000 by the end of December, 1947. According to information from Mr. Steelman's office, these agencies plan to offer an additional 1,230,000 tons to industrial users in the United States in the first six months of 1948.

W.A.A. STOCKS

For Army, Navy, and Maritime this may well be a fair estimate of scrap potential. The subcommittee is of the opinion, however, that the scrap possibilities in W.A.A. stocks need to be more thoroughly explored.

The subcommittee's opinion has been substantiated by recent activities of the Steel, Foundry, and Scrap Industries Committee for Expediting Iron and Steel Scrap, which has been appointed as an advisory group to the Secretary of the Army, on scrap recovery. This committee has set up regional subcommittees which have been busy over the past several months making surveys of all government installations throughout the country. This means they are surveying Army scrap

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potentialities, with the idea of expediting the return of ferrous material to the market in the form of scrap or the release of usable machinery and other items of ferrous content which will eventually flow to the scrap pile. Most particularly these regional subcommittees are surveying War Assets warehouses and storage depots. The Scrap Committee's report of its survey is not complete at this time, but returns from certain areas indicate large quantities of scrap tied up by W.A.A. procedures.

In one instance, scrap which was declared surplus by the Army in 1945, is waiting in an Army depot for the authorization to come through from W.A.A. to permit the owning agency to sell the scrap.

The latest report by the Administrator of W.A.A. (third-quarter, 1947) indicates an over-all remaining disposal problem of $9,000,000,000. Of this, it is stated, the consumer- and producer-goods inventory has been reduced to $1,995,000,000, the recovery on which has dropped to 15 cents on a dollar. The Administrator's estimate of the worth of the remaining property, particularly consumers' and producers' goods, is reflected in the following quotation from his latest report:

> Peak activity of the surplus disposal program is past. The continuing decline of disposals since the first quarter of 1947 reflects the reduction in inventory, the absence of large new acquisitions, and the diminishing marketability of the types of property left in inventory. Increasingly larger portions of available inventory consist of consumer and producers' goods of poor quality, special-purpose machinery, and hard-to-sell real properties.
>
> The bulk of the property still to be sold consists of nonstandard commercial items, items of poor condition, military items, and standard property which is in relatively long supply. This situation is the result of the segregation of short-supply and other readily salable property for prior sale and selective buying by customers. Former inventories of textile fabrics, motor vehicles, and construction machinery which contained a high proportion of desirable items have been greatly reduced. Nonstandard and special industrial materials and production equipment now dominate the inventories.

This situation refers, of course, to known W.A.A. inventory. No firm inventory of consumers' and producers' goods, or for that matter many other surplus materials, has ever been accomplished by W.A.A. Hearings held by the Senate Small Business Committee over the past several years on various disposal problems have repeatedly called attention to the lack of W.A.A. inventory control.

It would seem from the Administrator's own words that the time is ripe for an overhauling of W.A.A. consumer- and producer-goods inventories, and the pursuit of a vigorous program of scrap recovery. There are no figures available as to what tonnage of obsolete, special-purpose, or poor-condition machine tools and industrial equipment from W.A.A. stocks would result. A recent article in the Journal of Commerce, November 21, has made a guess of 5,000,000 tons of potential scrap in W.A.A. inventories.

It has cost the government and the taxpayer of the United States around $500,000,000 (fiscal 1947) a year to run the War Assets Administration; it is currently costing about $300,000,000 with a relatively small disposal job left to do. The disposal of $1,995,000,000 of consumer- and producer-goods inventories is the largest disposal job remaining, as stated by the Administrator. (The disposal of real property is admitted to be a separate and long-range proposition.) At the recovery of about 15 cents on the acquisition-cost dollar, it would hardly seem worth prolonging the agony.

The situation suggests to the subcommittee that legislation to effect a realistic and prompt evaluation of W.A.A. consumer- and producer-goods inventories in order (1) to bring out for quick sale (at home and for export) those items of value remaining, and (2) to consign the balance for sale as scrap, would be of inestimable value to the steel-using and steel-producing economy.

[It is necessary to note here that in 1948 the scrap situation improved immeasurably; 30 million tons were purchased; 29 million for use and 1 million for inventory. The price of scrap dropped and provided incentives to stockpile for the future.]

Theoretically, the rated capacity of the steel industry is 91,200,000 tons of ingots. Actually, the total ingot production in prospect for 1947 is 85,000,000 tons, or nearly 7,000,000 tons below rated capacity.

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At this rate of ingot production it is estimated that 62,300,000 tons of finished steel products will be produced by the industry this year.

In studying the complex problem of whether or not present steel production is sufficient to meet the heavy current demand, or future domestic and export needs, the subcommittee sought the opinions not only of the leaders in the steel industry but of those specialists and economists in government and in private industry who were maintaining a position in opposition to the steel industry's view at that time, that capacity in the neighborhood of 91,000,000 net tons was ample for many years to come.

In May, 1947, the position of the steel industry, as expressed by Walter S. Tower, president of the American Iron and Steel Institute, was one of caution. Confidence was expressed that existing capacity would never leave the nation or its export markets wanting for sufficient quantities of the commodity. Commenting upon the "economic oracles" who forecast the necessity for an additional 15,000,000 tons of steel capacity, Mr. Tower stated at the institute's convention in New York on May 25 that:

> Among those who hold such views are some of the very persons who were convinced 10 years ago that this industry was overbuilt. In their judgment of that time, steel plants had been expanded beyond the needs of a country which was ready for the peaceful repose of economic senescense.

Mr. Tower recalled that in 1921 steel furnaces "operated at 35 per cent of capacity" because demand petered out. And he implied that he was not at all sure that a sequel almost as severe might not be in the offing today.

Mr. Tower voiced those same convictions when he appeared before the Steel subcommittee on July 9, 1947.

Mr. Wilfred Sykes, president of the Inland Steel Company of Chicago, who appeared before the subcommittee on June 19, stated that the current steel capacity, *even without improved facilities and processes, would be adequate for all potential demands.*

He pointed out that during the years between 1920 and 1940 the domestic demand per capita ranged between a low of 236 pounds of steel in 1932 to a high of 978 pounds in 1929. Assuming a demand of 978 pounds per capacity and 10 per cent for export purposes, which is also a peak level, Mr. Sykes said, maximum steel consumption in 1950 would be 76,373,000 tons of ingots, in 1955 it would be 78,464,000 tons, and in 1975 it would be approximately 90,000,000 tons—all below the present theoretical capacity. Mr. Sykes used estimated population figures by the United States Census, which indicate 143,896,000 in 1950, 148,186,000 in 1955, and 163,000,000 in 1975.

Mr. Louis H. Bean, well-known economist, now connected with the Office of the Secretary, Department of Agriculture, presented to the committee, on June 19, certain conclusions in connection with his studies on the amount of steel production required to maintain full employment and a high level of industrial prosperity.

Mr. Bean's full statement with charts is reproduced in the printed hearings of the committee and will be discussed only briefly here. The following excerpt is an essential part of his conclusions:

> A rising volume of steel production required to sustain full employment appears also when the production record is put on a per capita basis. By 1900 the steel industry had expanded to the point where its production was equivalent to about one-half ton per person employed throughout the United States. By 1912-13 steel production was equal to nearly 1 ton per job. By 1929 it rose to 1.35 and by 1941 to 1.7 tons a job. If we take this rising trend in steel production per job opportunity in prosperity years at 1.8 tons for the years 1947-50, a total employment in civilian jobs of 58,000,000 would require over 100,000 tons of steel compared with the annual rate of output of 85,000,000 tons during the first part of 1947.

Thus, Mr. Bean recommended to the subcommittee that steel production must be increased to between 100 and 110 million tons in order to bring about prosperity and full employment through the period 1947-50. Mr. Bean's statistical projections forecast the trend of increased demand for steel upon the high points of production accomplished in prosperity years between 1900 and 1947. Mr. Bean

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believes that the steel industry has taken a pessimistic view of prospective steel requirements because of its experience in the depression of the thirties. That kind of depression, Mr. Bean maintains, is not characteristic of the ups and downs in industrial production, or in the demand for steel. It is, of course, a fact that the production of capital goods cannot be maintained year in and year out at a maximum level, but, Mr. Bean stated, "that is no reason for assuming that the peak of 1929 and the bottom of 1932 mark the range within which steel demand must fluctuate."

Interesting assumptions of potential demand for basic steel in 1950 were presented to the subcommittee by Mr. Ewan Clague, Commissioner of Labor Statistics, Department of Labor, on June 20.

Mr. Clague's discussion was also based upon a study relating full employment in the year 1950 to the possible levels of demand for steel products by that time. His analysis and charts are also produced in full in the printed hearings and will be summarized only briefly here.

The steel-production estimates of the study are based upon two assumptions of demand—one the assumption that future demand for steel will entail high consumption of consumer goods, the other an assumption of high investments in capital goods. A potential production of steel developed on these two patterns would range from 98 million to 120 million tons of steel.

In considering these estimates, Mr. Clague said, it must be kept in mind that they refer to a situation in which it is assumed that the economy is operating at a very high level and with high efficiency. Also that the behavior, habits, and working hours of the American consumer are constant.

Much of the current pessimism about future levels of industrial demand, Mr. Clague said, seems to have its origin in pre-war experience and to be largely conditioned by the remembrance of the idle machines, idle men, and shrunken markets of the great depression.

However, Mr. Clague admitted that the demand for steel is peculiarly dependent on changes in general production levels. In depression or recession periods it is usually the demand for durable goods which shrinks most, and this is reflected in a sharp contraction of steel production.

The viewpoint of labor as to the necessity for increased production of steel has been expressed to the subcommittee by two labor groups. On July 21, Mr. Walter P. Reuther, president of the United Automobile Workers, C.I.O., appeared before the subcommittee, and on September 11, Mr. Otis Brubaker, director of research, United Steelworkers of America, C.I.O., presented his union's views. Both were vigorous in their condemnation of the pessimistic attitude of the steel industry toward increased production, as expressed before this subcommittee. Mr. Reuther declared it to be a "program of planned scarcity plainly calculated to enhance profits and to fortify their monopoly hold over this basic industry."

Both Mr. Reuther and Mr. Brubaker endorsed the findings of Mr. Bean and presented other statistical data which continued to place steel-production requirements at from 100 to 110 million tons in order to maintain full employment between now and 1950.

Mr. Reuther recommended that if the steel industry cannot or will not equip itself to produce the steel required for full employment, then the government must be prepared to see that the steel is produced. He also recommended that the committee find out if the testimony given to the subcommittee by the industry in June was truly representative of the thinking of the leaders in the steel industry.

Mr. Brubaker urged the subcommittee to take prompt action to ascertain whether or not industry was adamant in its attitude toward expansion; to coordinate the studies of the various government departments to produce accurate information on future steel needs and production prospects; and to take the initiative in calling together representatives of the industry, labor, and government to draw up a joint program for expansion.

Neither Mr. Reuther nor Mr. Brubaker mentioned the fact that the steel industry has lost in the neighborhood of 18,000,000 tons of steel production in the past year due to strikes in the steel industry and in the coal industry.

The subcommittee is grateful for these frank expressions and for the thought and effort

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which has gone into the presentations which have been made to the subcommittee by government officials and economists and by representatives of the steel industry and representatives of labor.

The climax of the subcommittee's hearings on steel production and capacity occurred on September 12, when Chairman Martin called together the leaders of the steel-producing industry. A list of those present, together with a copy of Chairman Martin's opening statement at this meeting is included in the appendix.

The purpose of the meeting was to permit a round-table discussion of the findings of the Steel Subcommittee at that date, and to give the representatives of industry full opportunity to present their views, their difficulties and problems, as they appeared at that date.

On September 11 the steel industry released a statement of post-war expansion plans, coinciding with the appearance of the steel executives at the subcommittee's hearing.

Admiral Ben Moreell, chairman, Jones and Laughlin Steel Corporation, submitted these expansion plans to the subcommittee in behalf of those steel companies involved in the $1,000,000,000 program. A schedule of the proposed expansion of iron- and steel-making facilities, under construction and contemplated, is listed in the appendix, together with a list of the companies participating in each type of expansion and how much increased tonnage is involved.

To brief the presentation, these plans, many of which have been under way since the end of the war, according to the industry, involve the following additions to the steel industry's facilities which the industry hopes to make by the end of 1948: 2,500,000 tons of additional ingot capacity, 3,000,000 tons of new coke-oven capacity, 3,000,000 tons of new blast-furnace capacity, and 3,000,000 tons of added sheet and strip capacity.

Throughout its peace-time history, Admiral Moreell stated, the modern steel industry of the United States has maintained a productive capacity well ahead of demand. Operation of the industry in the more than 20 years elapsing between the two World Wars averaged 61 per cent of capacity. Existing capacity of 91,200,000 tons of ingots compares with 62,300,000 tons in 1920, 2 years after the close of World War I. This is an increase of 46 per cent in production compared with an increase of 35 per cent in population, the industry's report stated.

The Steel Subcommittee was more than gratified to note that the attitude of the steel industry toward the need for expansion of steel production had apparently changed since its earlier expressions in May and June.

The steel executives were frank to admit the difficulties they were experiencing in securing the materials with which to operate existing facilities, and that the development of new facilities had been delayed lacking materials for construction and materials for operation.

Going over the major difficulties of broad-scale expansion, the following observations made by Mr. Tom Girdler, chairman of the board, Republic Steel Corporation, emphasize the situation:

> A substantial steel tonnage increase, such as has been proposed (referring to the demands for an increase of 10 or 15 million tons) cannot be attained by simply improving existing facilities or the means of using them. In Republic it would require the construction of completely integrated steel plants and the development of additional sources of raw materials. . . . Increasing the nation's steel capacity by 10,000,000 net tons would require the diversion of 1,500,000 tons of finished steel from present production to build the new furnaces, mills, and other facilities. . . . It would be at least 2 years before we could produce any additional tonnage, and it is my opinion that by that time the present excessive demand for steel will have been met. . . . Under today's high construction costs, the capitalization required to increase Republic's capacity by a million tons would force the price of steel produced by the new facilities from $15 to $20 a ton higher. . . . To produce such an additional tonnage of steel would consume our dwindling ore reserves more rapidly than we could open up new mines or develop new processes to make use of the abundant low-grade ores.

In the opinion of the subcommittee, the pros and cons of steel production and capacity must come down to earth and be contained in the physical and economic limitations which are

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self-evident. To build new steel-producing facilities requires steel; to expand the industry beyond its present capacity would presume (1) sufficient supplies of scrap, (2) sufficient high-grade ores, readily accessible, (3) ample supply of high-metallurgic coking coal, (4) and vastly improved conditions of transportation.

Improved operations are bound to bring in some increases in production. The major steel companies have been experimenting with the use of oxygen for increasing production rates in the making of open hearth steel since August, 1946. It has been definitely proven that open hearth production rates can be increased by using oxygen for combustion, for decarburization, and for the control of the steel-making reactions. Companies which have proceeded far enough with experiments to indicate results hope for 10 to 15 per cent increase in blast furnace production through use of oxygen. However, as far as the subcommittee can ascertain, an evaluation of the effect of oxygen on steel-making capacity is impossible to make at this time. A statement contained in the recent Krug report makes this comment on the use of oxygen for increasing steel and iron production:

> To apply any broad generalization that oxygen, per se, would increase steel p'ant capacity would be to ignore the fact that steel plant capacity is restricted by a number of other factors including scrap and pig iron supply and quality, materials handling facilities, ingot handling equipment, and soaking pit capacity. In many instances actual steel melting capacity is not the principal factor limiting the output of a particular plant.

For some time to come, and certainly for the next 12 months, the prime problem is the utilization of the existing 85,000,000 tons of steel capacity, and the division of approximately 62,300,000 tons of finished steel products to satisfy domestic needs and increasing pressures for more steel from every nation in the world.

Early in the Steel Subcommittee's investigation of steel shortages and distribution, implications of a program to promote recovery of certain European nations had become a subject of discussion in the press and apparently influenced the testimony and reactions of many government officials who appeared before the committee.

As already mentioned in this report, under the Second Decontrol Act of 1947, the Secretary of Commerce can at this time issue priorities upon the steel industry, and many other industries, to require the delivery of products in the quantity he determines and to the countries he designates, if the Secretary of Commerce satisfies himself that such action would not unduly disrupt the domestic economy.

By June, 1947, government agencies were engaged in preparing reports, or making contributions to reports, which presumably were to be the bases for recommendations to the Congress for a European recovery program.

The first of these to be published, September 21, 1947, was the report of the Committee on European Economic Cooperation (C.E.E.C.) prepared by the 16 cooperating nations, and issued by the Department of State. It sets forth the needs of the program as determined by the 16 cooperating countries in terms of materials and money.

Next to be issued, October, 1947, was the Krug Report on National Resources and Foreign Aid, which analyzes the impact of a European recovery program upon the natural resources of the Nation. A third report, dated November 1947, was prepared by the President's Committee on Foreign Aid (the Harriman Report), and related the estimates of the 16 countries to what, in the opinion of that committee, the economy of the United States can support.

All of these reports deal with the availability of steel as a No. 1 problem.

None of the reports offer any suggestions as to how the steel which is available should be divided, or where the steel will come from to increase the flow of exports to western European countries as outlined in the recovery program.

The Steel Subcommittee takes exception to the understatements with regard to exports which are made in both the Harriman Report, the Krug Report, and the First Quarterly Report on the Second Decontrol Act (referred to under Exports). The general impression

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is given that European needs can be accommodated within present exports, and moreover it is taken for granted that current exports are at a supportable level from the standpoint of the domestic economy.

For instance, the Krug Report states that we do not have to worry about steel exports because "export controls and the high rate of the domestic demand are limitations on the amount of steel leaving this country."

[The surveys show record production in 1948, which would have exceeded 90 million tons except for the hampering coal strike of last March. The estimates for 1949 show that, by the end of 1949, when the industry's $2 billion post-war improvement plan is completed, the steel capacity of domestic mills would be about 97.5 million tons of furnished items annually.]

The testimony adduced by the subcommittee has proven that export controls are not strictly administered in relation to the high domestic demand.

It has been noted that steel exports have been increasing steadily to a yearly-rate of 7,000,000 tons in 1947, or 11.1 per cent of current steel production. It is evident that this country cannot export the amounts of steel sheet, strip, plate, pipe, and tubular goods which are now going out, and support the vital and strategic industries necessary to maintain the health and welfare of this nation. By that we mean the production of freight cars and other transportation equipment in short supply; farm machinery; mining and industrial equipment; pipe and tubular goods so desperately needed for developing and maintaining sources of heat, fuel, and water.

It is the opinion of the Steel Subcommittee that if a realistic survey of steel requirements were made, it would show that, under present conditions, all steel production now available is needed in the domestic economy. That would also assume its efficient and most essential use.

On the other hand, continuance of normal exports is necessary for the welfare of the world and the encouragement of markets for United States products abroad. A disproportionate amount of exports have been going to South America since the end of the war—not in proportion to what they can use, but in proportion to the amount other countries are receiving.

At the same time, it must be borne in mind that our steel industry did not enjoy export trade with South America to any degree prior to the war. South America was supplied in the main by the steel production of western Europe. At considerable expense and difficulty, the steel industry has built up desirable South American markets with token exports over the past 2 years. It does not appear reasonable to expect that these markets should be sacrificed in order to send a larger split of steel exports to Europe. In turn, Europe is expected to be self-supporting in steel by 1949, according to Marshall Plan proponents, and from then on would be in competition for South American trade.

Conservative estimates place the domestic demand for steel products at approximately 59,400,000 tons per year (mentioned in the Krug Report and again in the Herter committee's Preliminary Report 6). With production at 62,300,000 tons for the present year, this would leave 2,900,000 tons for export. Thus, to maintain exports at the present level of 7,000,000 tons, or even at 6,500,000 tons per year (10 per cent of possible future production), *would continue to force a deficit of at least 3,600,000 per year upon the domestic economy.*

It is the fear of this subcommittee that present export levels will be maintained and that further inroads will be made upon the steel supplies available to the domestic economy. In such case, the smaller, independent businessman in the steel industry, suffering from extreme shortages now, will be forced completely to the wall.

On November 17, the President of the United States appeared before the Congress to present his program for the dual purpose of controlling inflationary aspects in the economy and for promoting aid for the economic recovery of Europe. One of his most important proposals was for legislation authority for "allocation and inventory control of scarce commodities which basically affect the cost of living or industrial production."

No priorities or allocation controls have been placed upon the steel industry since the

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end of the war, except the tin plate conservation order, which is the one remaining W.P.B.-C.P.A. order still in effect on steel. It is administered in export by the Office of International Trade (Department of Commerce) for the purpose of conserving foodstuffs throughout the world, and by the Office of Materials Distribution (Department of Commerce) as far as domestic limitations are concerned.

Since the President's message, members of the Cabinet and various government officials have appeared before committees of the Congress to propound theories that controls of one sort or another are necessary to accomplish the objectives of a recovery program on the one hand, and stabilization of the economy on the other.

Mr. Harriman, the Secretary of Commerce, made a statement before the Joint Committee on the Economic Report on November 26 in which he asked for the extension of export controls, and for further priority and allocation powers with regard to the domestic economy.

With reference to the imposition of allocations and priorities on steel, Mr. Harriman said:

> It is proposed to extend existing limited priority powers in order to be able to increase or prevent break-down in domestic production of short-supply materials and products.
>
> The most important place in which this power can be exercised is over steel. I believe we could direct a small proportion of steel to the most essential purposes. The increased production of freight cars, so greatly needed by our domestic economy, is a case in point. Another example is that steel may be available for increased production of farm equipment so essential to maintain our own food production on high levels and to increase food supplies in other countries.
>
> Limitation orders to conserve scarce materials, and inventory controls will be helpful in carrying out the anti-inflation program.

However, the Steel Subcommittee wishes to go on record as being basicly opposed to the reimposition of wartime allocation and priority powers upon the steel industry, and limitations of use which will follow in its wake. It is one thing to gird the nation for war and to command its every facility for war production, and quite another to place that same kind of imposition upon an industry in peacetime. However limited or sparingly used, it will have, in the opinion of this subcommittee, the effect of slowing down production.

Vigilance is indicated at this time to make sure that programs of restriction or limitation are not effected under interpretations of existing law or powers belonging to various government agencies. The Steel Subcommittee will be interested in seeing that the businessmen of this country, and especially the smaller businessmen, shall have an opportunity to express themselves freely and forehandly, on any restrictions, limitations, or special programs which may be proposed.

The maintenance of free competitive enterprise—large or small—is the keystone of our democracy and of our form of government. Our government must determine accurately and quickly how much steel and other basic materials we can spare for foreign aid before commitments are made that will irreparably damage our domestic economy. It will profit us little, either in the immediate problems or in longer range considerations, to foster the flame of free enterprise in western Europe if we must submit our own economy to regimentation.

A peasant helped an old man carry a heavy burden. When their ways parted, the stranger said, "I am the Lord, and for your reward you shall receive whatever you ask for, but on condition that your worst enemy have double."

The peasant thought for a few seconds. "Lord," he said "gouge out one of my eyes."

Tablet

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Charts Accompanying the Steel Report

Proposed expansion of iron and steelmaking facilities (under construction and contemplated)

Company No.	Improvements	Increase in capacity
		Net tons
	Rolling mills:	
1	New cold reduction mill and bar mill	(1)
2	Additional hot-rolled-sheet capacity	180,000
	Additional cold-rolled-sheet capacity	300,000
3	New 48-inch hot-strip mill	240,000
	New facilities for cold-finishing stainless strip	21,600
4	Additional capacity to produce sheets, tin plate, bars, rods, wire and other steel products	2,000,000
5	Enlargement of existing facilities	(1)
6	Improvements to increase wire-rod capacity	72,000
7	5 new sheet mills	600,000
8	1 hot-strip mill	35,000
9	Increasing cold-rolled-strip capacity	6,000
10	Electrified hot-bar mills	1,100
11	Improvement to 93-inch cold-strip mill	36,000
	Improved 5-stand tandem mill and continuous pickled	(1)
	Improvement to 77-inch hot-strip mill	(1)
12	Constructing additional ingot-heating facilities	30,000
13	Installed new 7-strand hot-bar mill	22,000
14	Installed 3 new annealing furnaces and 1 cold-rolling strip mill	30,000
15	Installing new cold-rolled-strip mill	60,000
16	Enlarging existing facilities	(1)
17	Constructing 4-stand 56-inch continuous cold-reduction mill	220,000
18	New 14-inch continuous hot mill and present 10-inch mill revamped into continuous mill	180,000
	New 28-inch 4-high reversing cold mill	36,000
19	Hot-rolled capacity to be increased	420,000
	Cold-rolling capacity to be increased	870,000
20	New 20-inch cold-rolled strip mill	25,000

[1] Not reported.
Source: Reports to American Iron and Steel Institute, September, 1947.

Proposed expansion of iron and steelmaking facilities (under construction and contemplated)

Company No.	Improvements	Increase in capacity
		Net tons
	Other finishing equipment:	
1	Zinc-coating units, picklers, normalizing furnaces, box-annealing furnaces, and soaking pits	(1)
2	New heating furnaces, fuel-oil storage, flanging machine, nickel plating, etc.	(1)
3	New large diameter pipe mill	115,000
4	New electric-weld tube mill	7,500
5	Tin plate	500,000
	Tubular goods	300,000
	Wire production	80,000
6	Additional buttweld-pipe capacity	15,000
7	Forging department capacity increased	600
8	Added 1 cold-drawing unit and 2 straightening machines	(1)
9	Increased capacity for drawing wire	2,000
10	Continuous wire drawing	(1)
11	Construction under way increasing forging tool steel bars capacity	1,500
12	Increasing facilities of 1 of cold-drawing bar units	7,000
13	Installing new multiple bar drawbench and modern bar turning machine	4,800
14	Installing wire-drawing machines	1,100
15	Installed electric weld tube mill	(1)
16	New equipment to increase pipe-making capacity	100,000
17	Added cold-mill annealing capacity, cold-mill pickling capacity, and bluing capacity	(1)
18	Tin-plate capacity to be increased	163,750
	Pickling capacity to be increased	300,000
19	Installing buttweld-pipe mill	140,000
	Equipment for cold-drawing bars	25,000
20	New annealing furnace to increase cold-rolled strip capacity	7,500
21	New machines for drawing wire	1,000

[1] Not reported.
Source: Reports to American Iron and Steel Institute, September, 1947.

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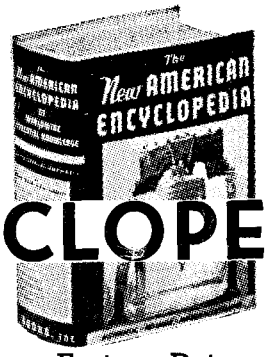

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A FORUM reader once wrote us that if he had received his copy of FORUM a few days earlier, he would have been elected to his state legislature. FORUM regretted failing the reader, but was gratified to learn of its unsuspected power.

Never, since the first copy of FORUM was published in March, 1886, has FORUM guaranteed to place its subscribers in public office. However, FORUM consistently has guaranteed its readers a place among the well-informed citizens of today.

For example, every citizen who is a consumer has been wondering what President Truman's "Fair Deal" program will mean to him. In FORUM's lead article this month, *Hope for the Consumer in 1949?,* Colston Warne, an economist at Amherst College, makes a valuable analysis of what the Truman program means for our economy.

Can we spend billions on national defense, can we spend billions for world recovery, can we allocate for these needs many materials in short supply, can we support agricultural prices at the cost of over $100 million for the potato crop alone? Can we do all these and expect cheaper food, cheaper houses, and control of the inflation spiral? These questions have perplexed the thinking reader since the war. With the announcement of the Administration program, they come into clear focus.

Because the problem of steel supply and distribution is paramount in maintaining a free economy, and because President Truman has singled it out as a possible field for government intervention, FORUM selects the Steel Committee report to throw some light on the history of the steel shortage.

Imperialism and nationalism, along with communism, are words thrown about casually in our daily conversation. But do we truly understand the forces about which we speak? FORUM this month presents a study of the great United States venture in imperialism. Louis B. Schmidt shows in *Imperialism in 1898* the forces at work which led the United States to the Philippine Islands.

Hans Kohn, in his discussion of the writings and life of the famous Madame De Staël, throws additional light on the meaning of freedom and nationalism and the development of these concepts in France and in Germany.

Swinging from the sublime to the ridiculous, we hope you are a city-dweller constantly bothered by the noises and sounds of the city, or even a country-dweller with a party phone will do. If either description applies to you, we want to guide you this month to Robert Francis' *Country Comment.*

If this country dilemma fails to bring a silent smile to your lips, FORUM suggests you turn to John Gassner, of the Theatre Guild, who presents, as usual, clear, intelligent and stimulating reviews of this year's season on Broadway.

Many pleasant and valuable hours of reading are in store for you this month. FORUM takes pleasure in offering them to you. We hope you enjoy them.

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